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NEWS SUMMARY

GENERAL

Funding for new Europe missile

The U.S. may deploy in Western Europe nuclear missiles capable of striking deep inside the Soviet Union. "Study funds" have been set aside in the 1979-80 defence budget due out today.

The installation of such missiles would be a major change from policy. Current American missiles in Europe have a maximum range of 450 miles.

Development of the new weapons is cited in Washington as one of many defence budget measures aimed at strengthening the U.S. commitment to Europe. Page 2

Race halted

The Argentine Grand Prix was stopped 30 seconds after the start when the McLaren of Irishman John Watson lost a tyre. A number of other drivers were forced off the track including Andretti of the U.S., Lauda (Austria), Scheckter (SA) and Tambay and Pironi of France. Brazil's Piquet was slightly hurt. Jacques Laffite of France, won the race.

'Spies' held

West German security authorities carried out one of their largest counter-espionage operations in recent years, when information from an East German defector led to the arrests of at least five people connected with a nuclear research establishment at Karlsruhe. Page 2

Freighter probe

As the first Vietnamese refugees came ashore in Hong Kong from the freighter Huey Fong, the captain and crew were being questioned by police. Hong Kong allowed the ship in after it had anchored offshore for a month but the captain could face four years in jail for carrying unscheduled passengers.

Murder charge

A teenage boy was charged with murder at Corringham, Essex, after a fire in which two of his brothers and two foster children died. The boy's mother and two other children survived the blaze.

Sithole optimism

The Rev. Ndabaningi Sithole, a member of Rhodesia's ruling executive, predicted that the war would subside after the one-man, one-vote elections scheduled for April. Patriotic Front leaders have said they will sabotage the poll.

Security march

Nearly 3,000 people marched to the Texaco depot on Canvey Island, Essex, demanding increased security following the IRA bomb which damaged a storage tank last week.

Now it's fog!

Thick fog replaced snow and ice as Britain's main weather hazard, with numerous flights cancelled at London Heathrow airport. The M4 was among roads on which speed restrictions were made.

Briefly . . .

Girl aged three who went missing on Saturday was found dead in Derby.

Six people were burned to death in a fire near Cadiz, Spain.

Jockey Lester Piggott's fourth attempt to win the Singapore Lion City Cup failed. He finished third.

Troops loyal to Premier Pol are still resisting the Vietnam-led invasion of Cambodia (Kampuchea).

Winner of the £75,000 Premium Bond prize lives in Surrey. No.: 5FZ 451300.

BUSINESS

Kuwait may sell more oil

● *KUWAIT, which has for* some time refused to sell any extra crude oil to compensate for the shortages caused by the Iran crisis, is considering special short-term contracts with Shell, BP and Gulf, Kuwait's three biggest customers and members of the Iran Consortium.

The Kuwaiti contracts, for 40,000 barrels a day, will only cover about 10 per cent of the shortfall in crude, but it is hoped that other producing countries may be persuaded to follow Kuwait's lead. Back Page

● CONSTRUCTION cost of Sullom Voe oil terminal will rise to more than £1bn if BP's plans for additional tanks, pumps and a fifth jetty are given the *go-ahead*. *Back and Page 4*

● PEMEX, the Mexican state-owned oil company is to meet today representatives of 35 European companies, including 23 from Britain to discuss the importation of oil and gas equipment for exploration and production.

● CONSUMER CONFIDENCE has been sharply affected by the wave of industrial unrest, according to the latest Financial Times survey today.

The index of "future confidence" has fallen to −27 per cent, the lowest level since the late 1976 sterling crisis. Some 41 per cent of consumers surveyed expected conditions to worsen, while only 14 per cent were optimistic. Page 3

● MOST EMPLOYEES now signing pay deals are getting more than the Government's basic 5 per cent pay limit, according to figures released today by the CBI. The Confederation's data bank shows that most of the 1.6m people now covered by 537 pay deals exceed the limit either by using the White Paper's exceptions for low-pay or productivity deals, or by ignoring the rules altogether. Back Page

● GOVERNMENT'S public spending plans are being examined by an all-party committee of MPs which hopes to enlist the help of a wide range of academic and City economists. During a number of public hearings at the end of the month, senior Treasury officials will be questioned about the economic background and detailed plans in the recent expenditure White Paper. Page 3

● MORE FINANCE is likely to be available for industry this year, according to City stockbrokers Wood Mackenzie, who forecast that 1979 should see the opportunity for funding more industrial investment. Page 3

● THIRD attempt to negotiate a new International Wheat Agreement, to control world wheat prices, begins in Geneva today. Back Page

● *BARTER deals with Eastern* Europe by multinational chemical companies could put at risk the jobs of thousands of workers in the West, according to a GMWU booklet published today. Back Page

● TEN EUROPEAN petrochemical plants have been forced to close over the last few months because of a series of accidents, technical faults and industrial disputes, but producers claim that the effect of the closures has been to tighten up markets where base chemical producers are suffering from serious overcapacity. Page 3

● AN £84m acceptance credit is being put together by a group of City banks as part of a new scheme to finance the vehicle stocks of BL dealers. The deal is one of the largest ever floatd in the City money markets and will provide BL dealers with credit finance from next month onwards. Page 4

Government plans public sector pay norm of 7-8%

BY PHILIP RAWSTORNE

The Government intends to make a determined stand against the public service workers' campaign of industrial action, which begins today, in an attempt to save its anti-inflation policy from complete destruction.

Ministers, admitting that the 5 per cent pay battle has been lost, are now prepared for a tough rearguard action to hold the public sector pay line at about 7-8 per cent.

Mr. Peter Shore, Environment Secretary and Minister responsible for the 1.5m public service workers, said yesterday: "It would be a total folly for the Government to give up in these parts of the public sector knowing that this might be the signal to others— like the miners —with far greater power."

The 7 per cent offered by the Government would have to be the basis of settlements in the *public services, he declared.*

Mr. Shore's stand was strongly reinforced yesterday by other Cabinet Ministers.

Mr. Michael Foot, Leader of the Commons, said that the Government was resolved to continue its fight against inflation and would not be panicked.

The country had seen the disastrous effects of a wages free-for-all. The most sensible approach would still be through agreement and co-operation with the unions.

Another senior Minister said the Cabinet was united in its determination to hold the line as close as possible to its original 5 per cent "whatever the traumas, damage and danger."

Mr. Shore, in an interview with ITV's Weekend World, firmly ruled out the possibility of interim awards from comparability studies that would allow immediate higher pay settlements in the public services.

"I am certainly not in favour of trying to rush this serious exercise. I am certainly not in favour of back-paying on that. It simply stokes up inflation," he said.

"We've lost the (5 per cent) battle but we've not lost the war against inflation."

A Government surrender would mean that any benefits to the low paid would be wiped out within a few months, public spending would be curtailed *and unemployment would increase.*

The pay round was still in its early stages and, while doing its best to avoid confrontations, the Government was not going to give up the fight.

Emergency

The Cabinet's emergency committee under Mr. Merlyn Rees, Home Secretary, will meet today to review the first effects of the public services' industrial campaign as well as the transport strikes.

The new Prices Bill, which forms part of the peace package announced by the Prime Minister last week, will be in*troduced in the Commons in* the next few days.

Christian Tyler writes: TUC leaders will today have the chance to test how far the Government is ready to give on public service pay at a meeting of the TUC-Labour Party liaison committee.

One union leader said yesterday that the Government had to find the political will to move further towards meeting the demands of local authority and health service manual workers if it was to restore order.

Led by Mr. Len Murray, TUC general secretary, the unions are likely to impress on the Government the urgency of a new accord on collective bargaining more in line with TUC *policy to prevent further* industrial disorder of the kind seen last week.

Some union leaders were cautiously optimistic that negotiations for the public service workers were looking flexible enough to prevent protracted industrial action. A campaign of selective strikes has been prepared to follow to-day's national one-day stoppage and demonstration.

Today's meeting at Congress House is not expected to produce any great initiatives, since the committee's main role is to discuss longer-term economic and social policies under the umbrella of the social contract.

A report on the industrial scene will be made, however, at *this afternoon's regular meeting* of the TUC's own finance and general purposes committee.

NUR may seek same pay rise as miners

By Christian Tyler, Labour Editor

A DEMAND for a formal pay inquiry, to give railwaymen rises comparable to those won by miners and power pay inquiry, to give railwayworkers this year, is being considered by the National Union of Railwaymen.

This emerged as a last-minute attempt by British Rail to avert tomorrow's one-day strike by train drivers appeared to have failed.

Mr. Ray Buckton, general secretary of the Associated Society of Locomotive Engineers and Firemen, said the Board's invitation for all-union talks today seemed to be another attempt to submerge the 10 per cent bonus claim in the general 1979 wage bargaining.

He described the position as "very serious." ASLEF's executive would today be considering further industrial action to follow tomorrow's strike.

Mr. Sid Weighell, general secretary of the National Union of Railwaymen, said he could accept the board's invitation only if the talks were about the general wage claim and not ASLEF's separate demand for an immediate 10 per cent productivity bonus.

When the general negotiations start, Mr. Weighell plans to put up the comparability argument because the Prime Minister had offered public service workers a formal link with outside industries.

He said a formula of the kind produced by the Guillebaud inquiry for railwaymen, but superseded more than 10 years ago, would have to be "put back on the agenda."

In response to its claim for a "substantial" increase the NUR expects an offer of at least 8½ per cent to flow from the amended pay guidelines and consolidation into basic pay of the existing railmen's bonus scheme. It wants a further productivity scheme to run from the end of April and is claiming a 35-hour week.

The NUR will carefully watch the miners' negotiations, which open on Thursday, and the parallel bargaining in electricity supply yet to get under way.

Lorry strike effects Page 4. Denning book Page 5. Justinian Page 10. Editorial Comment Page 12. CBI pay study and news of lorry drivers' and public service workers' disputes Back Page.

Carter will present tight budget today

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT CARTER will today present to Congress a "lean and tight" budget for the fiscal year beginning in October designed to demonstrate his commitment to fighting inflation.

The President disclosed at his Press conference last week that the budget deficit had been reduced to about $29bn, or about $1bn under the estimated shortfall for the current fiscal year.

Overall Government spending, Administration officials have said in recent weeks, will rise to just over $530bn, an increase in nominal terms of over 7 per cent compared with the current year. However, the impact of inflation is such that the spending growth in real terms will be negligible.

Given the fact that Mr. Carter has said that he is determined to fulfil his pledge to the NATO alliance and increase defence expenditure in real terms by 3 per cent, the budgetary axe has descended most sharply on domestic social programmes.

With defence accounting for nearly one-quarter of all U.S. Government spending, the extent of the social cuts has already prompted a fair amount of criticism. But the President maintained at his Press conference that the needs of the disadvantaged had been met and that additional funding had been found for the poor and for job creation.

Small step

Criticism of the budget is not likely to be confined to the liberal wing. One conservative Republican, Senator William Roth of Delaware, said at the weekend that the President had taken "A small step towards restraint when we need a giant leap." He compared the budget to a package of bacon in the supermarket since the fat was only evident when the package was opened.

Given the diversity of opinions on Capitol Hill, it is likely that Congress will make several changes to the President's proposals in the months ahead. However, the alterations will probably be made more to the internal composition of the budget than to its overall ceilings.

Nevertheless, the Administration seems convinced that the ailing United States is now ready to accept a reasonably strong dose of fiscal medicine to help cure inflation and that the patient will not lapse into recession as a result.

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Several U.S. Administration officials recently have given hints of the economic assumptions underlying the budget. Real economic growth is projected in the 2-2½ per cent range for the current calendar year, which would be a reduction from the 3.9 and 4.9 per cent respectively of 1978 and 1977. This would be enough, it is believed to prevent unemployment from rising excessively.

The Administration's optimism in this regard stands in contrast to the opinion of many private economists who predict an outright recession, although there is disagreement about its timing and severity.

Weak dollar

A reduction in growth, if associated with greater expansion among the major trading partners of the U.S., should bring about an appreciable reduction in the external U.S. payments deficit. This could contribute to relieving one of the fundamental factors that has weakened the dollar.

The Administration is also assuming an inflation rate of approximately 7.5 per cent for the present year, about one percentage point below that recorded last year.

A year ago, it severely underestimated the rise in the cost of living, but it now has more policies at work combating inflation including an austere budget. The budget, naturally, assumes that these policies will achieve a reasonable degree of success.

Considerable attention is likely to be focused on the details of the defence budget. It is expected that it will include substantial additional funding for major strategic weapons programmes, such as the MX mobile missile system, and for strengthening the U.S. capacity to reinforce speedily its troop strength in Europe.

Such measures are clearly designed to convince the Soviet Union that it cannot hope to gain military superiority over the U.S.

It is also anticipated that, as previously reported, the budget will all but eliminate funding for U.S. development with the UK of the improved version of the Hawker Harrier jump-jet. News of the impending U.S. decision has already created a fuss in the British Parliament on the grounds that some $1bn worth of contracts will be lost to the British aerospace industry.

The U.S. Federal Budget Page 23

EEC counts the cost of ending green currency

BY MARGARET VAN HATTEM

UNPUBLISHED EEC statistics suggest that abolition of the green currency system, demanded by France during the negotiations for a monetary *system, would have a far more* dramatic effect on farm incomes than on member countries' balance of payments, if existing prices were unchanged.

However, the EEC's budget costs would rise markedly.

In the UK, food costs for the consumer would rise by about £1bn, but only £300m of that would represent the higher cost of food imports, now subsidised. The rest would go to the British food industry.

In West Germany, where substantial food exports are made possible by the subsidies, the statistics suggest that if prices were dropped to the present EEC average, farm incomes would drop by £1bn.

France would suffer an increase in food cost of £470m, but existing exports would earn £300m more, thanks to the abolition of monetary compensatory arrangements, which act as a levy on low-cost exports.

Those figures clarify some of the issues in the three-cornered dispute between France, West Germany and the UK over the green currency issue.

Britain is to some extent resigned to losing the protection of the scheme sooner or later, but insists that EEC prices of products now in large surplus are unrealistically high. West Germany is seeking means of protecting its farmers' incomes, including possible compensation from EEC funds.

The impact on the EEC's budget arises from the fact that official EEC prices expressed at current exchange rates are 7½ per cent higher than the average of national prices in the community.

The consequent rise in average prices would stimulate extra production, adding to existing surpluses. The rise in the existing £2.5bn annual bill for intervention buying would soon outstrip the estimated £290m net annual saving by cutting out the existing monetary compensatory amounts.

The cost of subsidies for community food exports to non-EEC countries, £1bn annually, would also rise.

If the green currency system were phased out very gradually during prolonged EEC currency stability, the weak-currency countries might be able to absorb the costs and strong-currency countries to lower their farm output without too much pain.

That is much to ask. The struggle to reconcile France, Britain and West Germany to open the way for introduction of the European monetary system and for negotiation of this year's farm price review does not appear to be near resolution.

It is likely to dominate an informal meeting of EEC farm ministers attending the green week, a big annual farm and food fair, in Berlin later this week when Mr. Finn Olav Gundelach, EEC farm commissioner, is expected to make an important statement on the issue.

Khomeini's plans for return arouse fear of new clashes

BY ANDREW WHITLEY IN TEHRAN

THE PLAN of the Ayatollah Ruhollah Khomeini, the Iranian religious leader, to return home next Friday after 14 years in exile has aroused fears that still further divisions may be provoked in the country.

A leading Opposition politician close to the 78-year-old Ayatollah admitted that he was "astonished" that Khomeini was returning so soon, before the delicate negotiations between Khomeini's emissaries and Army generals had reached any conclusion.

On hearing the news at the weekend, Mr. Shahpour Bakhtiar, the Prime Minister, restated his determination to stay in office on the grounds that he was the country's legitimate authority.

In any but highly abnormal circumstances, Shi'a Moslem leaders do not criticise each other, preferring a common platform.

But in response to Khomeini's *derogatory description of the* most senior religious leader in Iran, Ayatollah Kazem Shariat-Madhari, at Qom, as "a moderate in the American sense of the word," he retorted yesterday that if this were so, then Khomeini was "an extremist in the same sense."

In Tehran about 10,000 Left-wing demonstrators, students and workers, ran through the streets tearing down pictures of the Opposition leader and clashing with religious students. Groups from the banned pro-Moscow Tudeh Party were among the crowd that gathered at the Technical University.

Clashes were reported in a number of small towns at the weekend, leaving at least three dead. Gangs of pro-Shah men with sticks were said to have been responsible.

Of greater concern to the authorities must be the number of reports in the Press of dissension at Air Force bases.

Saturday's Kayhan and Etelaat said there had been trouble at Bandar Abbas on the Gulf, in Hamadan, Isfahan and other cities.

An earlier report of tension at the Shahrokhi air base in the South last week was said to have been confirmed by military officials.

One reason given here for early return of the Ayatollah is that his associates feared that *the longer he stayed away* the greater the divisions in the Opposition would become.

Members of an Islamic revolutionary council to run the country while a provisional Government is being set up are expected to be named in a day or so.

Among them are likely to be two Tehran religious leaders close to Khomeini, and Mr. Mehdi Bazargan head of a small radical party.

In recent days several groups opposed to possible exchange of a monarchical dictatorship for a theological one have begun to speak out.

A statement from the Marxist Feda vin-e-Khalq guerrilas that the "Iranian revolution should not be monopolised by any particular social group" has been printed in all the newspapers.

A new political party of intellectuals, led by the respected writer Haj Sayyed Javadi, pledges in its manifesto to establish democracy, and resist despotism and "totalitarian" systems of government.

Robert Mauthner writes from Paris: The Ayatollah Khomeini has lived at the small village of Neauphle-le-Château, near Paris, since arriving in France in October.

After Friday's massive peaceful demonstrations throughout Iran, the Ayatollah said he regarded these as a referendum backing the Islamic Republic he has all along demanded.

The Ayatollah appears to have been encouraged by the response to his call to members of the Iranian Parliament and the Regency Council set up by the Shah to represent him in his absence to give up their seats and functions to make way for what he called the "true representatives" of the people.

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FEATURES

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OVERSEAS NEWS

Carter earmarks budget funds for middle-range European missile

BY DAVID BUCHAN IN WASHINGTON

THE U.S. may deploy in Western Europe nuclear missiles capable of hitting targets deep inside the Soviet Union by the mid-1980s. This would be a major departure as none of the American missiles presently in Europe have a range of more than 450 miles.

Defence Department officials said yesterday that "study" funds for this new intermediate range missile have been included in the new 1979-80 budget due to be presented today. It is cited as among the many defence measures to strengthen the U.S. commitment to Western Europe.

The development of the new missile is seen as a response to the Russian SS-20 missile (which carries three warheads and is targeted on Western Europe), and the threat posed by the supersonic Soviet Backfire Bomber. Neither the SS-20 nor the Backfire Bomber, provided it is not deployed on inter-continental strike missions against the U.S. itself, would be restricted under the proposed Salt 2 treaty.

The option of a new longer range missile in Europe, which would take several years to develop and produce, was endorsed at the U.S., British, French and West German summit in Guadeloupe earlier this month. The four leaders clearly wanted to avoid last-minute differences inside the NATO alliance over the neutron bomb.

The new budget keeps open President Carter's option to order deployment of the neutron high radiation bomb at some later date, however. Funds are provided for the continued production of the Lance missile and the 155 mm Howitzer—the two likeliest weapons on which the neutron bomb warhead might be fitted.

The new nuclear missile project for the European theatre is likely to stir controversy, not least from the Russians who have made it clear that they will want to curb the British and French nuclear strike forces in any Salt 3 negotiations, which will focus much more on nuclear weapons in Europe. The new missile would provide a handy bargaining chip for NATO as a possible trade-off against the SS-20.

The U.S. budget also provides $144m for the development of a longer range Pershing 2 missile to be based in Europe. At present, American nuclear missiles in Europe—the Pershing 1, the Lance, and Honest John—have ranges of less than 450 miles.

Rhodesia war 'will ebb after elections'

THE REV. Ndabiningi Sithole, one of the leaders of Rhodesia's transitional Government, forecast yesterday that the war in Rhodesia would subside after one-man, one-vote elections were held on April 20, AP reports from Salisbury.

He made the forecast despite the pledge of the Patriotic Front guerrilla alliance to smash the April poll.

Mr. Sithole said the new nation of Zimbabwe (Rhodesia) stood a good chance of winning international recognition. He said he had received favourable indications from Western European and African countries which he did not name.

"Once we have a majority rule Government there can be no doubt there will be a considerable de-escalation of the war," he said in a television interview with a panel of Rhodesian and foreign journalists. "We have thousands of guerrillas who are sick and tired of the war—they would like to come home," he said.

Somali Moscow thaw

Somali President Mohamed Siad Barre has opened the way for future co-operation between his country and the Soviet Union despite their split over Moscow's support for Ethiopia during the Ogaden war 14 months ago, Reuter reports from Mogadishu. At a congress of the ruling Socialist Party (SRP) at the weekend, the President also said he was prepared to negotiate with the Marxist military government in Addis Ababa over independence for the disputed Ogaden border region.

India bank strike ends

Indian bank employees yesterday agreed to end nearly a month of strikes and work slowdowns and to re-enter negotiations on their wage and other demands, the Government announced, AP reports from New Delhi.

Desai China pledge

Indian Prime Minister Morarji Desai reassured the Soviet Union yesterday that any warming of India's policy towards China would not be at the expense of a third country, AP reports from New Delhi. Mr. Desai, addressing a news conference, reacted angrily when a reporter asked him if he had received "clearance" from Moscow for a visit to Peking next month by India's External Affairs Minister. "We don't ask anyone for clearance," snapped Mr. Desai. But he went on to make it clear India's relations with China will not be at the expense of a third nation.

Uganda border charge

Uganda has said three towns near its border with Tanzania have been captured by invading forces and accused Tanzania of "intolerable provocation." Reuter reports from Nairobi.

Angola-China talks

Angola has announced it has accepted a request from China for a meeting to discuss the establishment of diplomatic relations, the official news-agency Angop said. In a telexed despatch to Reuters in London, it quoted a communique issued by Angola's top ruling body, the political bureau of the central committee of the Popular Movement for the Liberation of Angola (MPLA).

Lagos Caribbean loan

Nigeria has become the first African country to offer a loan to the Commonwealth Caribbean, Tony Crozier writes from Bridgetown. An agreement has been signed between the Nigerian government and the Caribbean Development Bank for the sum of $5m. It will be used to finance agricultural credits through the state development banks and government counterpart contributions to Caribbean Development Bank projects.

Orenburg pipe finished

The 1,700 mile "Soyuz" gas pipeline linking theh rich Orenburg gas deposits with Eastern Europe has been completed after four years of work by the Soviet Union and East European members of Comecon, David Satter writes from Moscow.

Spy sweep after Berlin defection

BY ADRIAN DICKS IN BONN

WEST GERMANY'S security authorities carried out one of their largest counter-espionage operations of recent years over the weekend, when information from an East German defector led to the arrests of at least five people connected with a nuclear research establishment at Karlsruhe.

The effects of the round-up on West German public opinion were, however, marred when Herr Kurt Rebmann, the Attorney-General, admitted that one of the five had later escaped from a police car on his way to a remand prison.

The authorities issued an appeal for public help in finding the man, named as Rainer Paul Fuelle. He was said to have been employed as an accountant at the Karlsruhe plant of a company set up to prepare for commercial recycling of nuclear fuel elements. A company spokesman said yesterday that Herr Fuelle had no direct access either to secret material or security procedures.

The defector who has not been named fled to West Berlin last Friday night from the East German Ministry of State Security. He was accompanied by his wife and child and was still under interrogation last night. It is understood that he brought a large quantity of documents with him.

It was not clear last night who the other four arrested suspects were, or whether they were all employees of the recycling company. Counter - intelligence officials believe the spy ring to have been "important, but not in the top category," according to the West German news agency.

More than 100 East German agents have been arrested in various branches of West German public life since the most spectacular case of all in April 1974—that of Herr Guenther Guillaume, an official in the Bonn Chancellery of Herr Willy Brandt, who resigned as a result.

Herr Guillaume, who is serving a long jail sentence, underwent surgery last week for a kidney complaint.

Reuter adds from East Berlin: East Germany said yesterday that a NATO officer had crossed over to East Germany with important documents and had applied for asylum. The official news agency said the officer was a Lieutenant-Commander and had worked for many years on the operational staff of various NATO intelligence departments.

In Bonn, the Defence Ministry said the East Germans were probably referring to a West German officer who has been missing from his marine air squadron in Schleswig since the end of November.

Atherton hears Israeli decisions

BY L. DANIEL IN JERUSALEM

MR. MENACHEM BEGIN, the Israeli Prime Minister, met with Mr. Alfred Atherton, the U.S. special envoy, yesterday to inform him of decisions reached at a five-hour meeting of the Israeli Cabinet.

The nature of the decisions was not immediately disclosed. Mr. Atherton had been expected to leave for Cairo today but it was announced last night that he would remain in Israel for at least another 36 hours for further talks.

The Cabinet session yesterday followed a dramatic midnight meeting between the U.S. and Israeli negotiating team during which Mr. Atherton conveyed the contents of an American letter he had received in reaction to his report on his talks earlier in the week with Mr. Begin and the Israeli negotiating team. The midnight talks lasted until 2 am.

Speculation here is that the American letter proposed making paragraph six of the proposed peace treaty more acceptable to Israel. This is the paragraph dealing with the question of Egypt's previous undertakings overriding the new treaty. Another sticking point which might be bridged by the U.S. is that of linkage between the treaty and autonomy in the West Bank and Gaza.

Roger Matthews adds from Cairo: Egypt will not budge a millimetre from the basic conditions it has laid down for signing a peace treaty with Israel. This was stated by Mr. Hosny Mubarak, the Egyptian Vice-President, and amplified by President Sadat who said in Khartoum that there was no question of Egypt signing a separate treaty with Israel.

The prospects of an early resumption to mid-east peace negotiations are not promising with the situation in Iran providing an additional complication. Some Egyptian officials believe that the Iranian crisis may further delay progress with all three parties to the stalled talks trying to assess the wider impact of events in Tehran.

Reuter wirtes from Damascus: Palestinian leaders have drawn up detailed plans for political and military action to resist Egyptian-Israeli peace moves, a spokesman for the Palestine Liberation Organisation said. The proposals will be voted on by the Palestine National Council, a parliament-in-exile now in session here.

Recommendations included firm rejection of the Camp David accords, the need to step up guerrilla warfare against Israel and a cautious approach to an emerging rapprochement between the PLO and Jordan.

UN plan for Lebanon stability

BY OUR UN CORRESPONDENT

WITH THE situation in southern Lebanon again explosive following a new Israeli strike against Palestinian guerrilla bases and Lebanese leftist forces, the UN and the Lebanese Government will shortly try to agree on a programme to promote Beirut's authority over the troubled region.

Dr. Kurt Waldheim, the Secretary-General, and the Government were asked to prepare these plans in a statement agreed to by the 15 members of the Security Council, which approved on Friday night a five-month extension of mandate for the UN force in Lebanon, UNIFIL.

The statement, complementing the Council's formal resolution, was read out by the President, Mr. Donald Mills of Jamaica. Twelve members voted for the formal resolution. The Soviet Union and Czechoslovakia abstained, and China, which objects in principle to the use of UN troops, refused to participate in the vote.

A key paragraph of the resolution deplored Israel's lack of co-operation with UNIFIL and its support for the Lebanese Christian Militia, which controls a six-mile zone along the Israeli border.

The Israeli delegate, Mr. Yehuda Blum, accused the council of failing to come to grips with the real issue in Lebanon and of having produced "a highly one-sided and unbalanced political resolution."

He drew members' attention to the fact that UNIFIL is not deployed in the Tyre area, which reaches within eight miles of Israel.

There are some 1,500 Palestinian terrorists deliberately stationed in refugee camps there, in the town and elsewhere, Mr. Blum said. Within easy striking distance of northern Israel, these same terrorists consistently prevented entry or passage of the Lebanese army.

Mr. Blum warned the Council that Israel "will continue its policy of taking necessary action against PLO bases used for the training of terrorists and for launching criminal activies against Israel."

● AP adds from Tel Aviv: Prime Minister Menachem Begin vowed yesterday Israel would "continue to hit" Palestinian bases in Lebanon to prevent further terrorist attacks and Israeli artillerymen fired across the northern border in response to a new round of rocket attacks on frontier settlements.

No injuries were reported in two separate rocket attacks yesterday morning on the town of Kiryat Shmona and nearby farm settlements in northernmost Galilee — areas that were rocketed on Friday after an Israeli ground force made a pre-dawn raid on two guerrilla bases in Southern Lebanon.

Pol Pot forces in fierce clashes with invaders

BANGKOK — Fierce clashes were reported to have taken place in Cambodia yesterday between pro-Vietnamese forces and troops loyal to the Pol Pot regime.

Diplomats said the clashes occurred in both the north and south of the country, especially in Takeo and Kampot provinces where Khmer Rouge soldiers were still putting up stiff resistance to the advance of Vietnamese-led units.

The new Government in Phnom Penh has frequently claimed complete control of the country. But diplomats said artillery and mortar fire was still being heard in one area.

The war has not produced the expected flight of large numbers of refugees into Thailand but about 2,400 people, believed to be families of Khmer Rouge soldiers, are waiting near the border.

About 350 unarmed people, most of them believed by the Thais to be Khmer Rouge troops, have crossed the frontier since the fall of Phnom Penh. Border officials said four Thai border police were wounded yesterday in a clash with a group of armed Khmer Rouge who were trying to take refuge in a district east of Bangkok.

The absence of refugees in any great number is interpreted by diplomats as indicating that Pol Pot might receive support from the population if he carries out his intention of fighting a long guerrilla war.

In Peking, Mr. Ieng Sary, Foreign Minister in the Pol Pot Government, told Western diplomats during a 90-minute meeting on Saturday that the loss of the deep-water port of Kompong Som would hinder the fight. "But we are ready for this eventuality and we will have other possibilities," he said.

Mr. Sary said that the whole of the Pol Pot Government was in Cambodia, directing the resistance.

Reuter

India gets £145m aid from Britain

By K. K. Sharma

FRESH British grants to India totalling £145m are to be announced this week when Sir Peter Preston, Permanent Secretary of the Ministry of Overseas Deevlopment, arrives here for talks. £580m of debt relief is also expected over the next 22 years, to be used for local cost financing of British-aided projects.

The debt relief is on repayments of loans before 1975 when all British aid began to be extended as grants.

Britain is the largest single bilateral aid donor to India. Half the cash is for purchase of raw materials, components and spare parts and can be used flexibly.

A number of British missions have been visiting India in the past few months to identify areas of co-operation and sell machinery and equipment for which the aid funds could be drawn.

The British aid commitment, to be formally announced on Thursday is marginally higher than last year's £144m.

WORLD TRADE NEWS

Spending on world rail systems may top £12bn

By Ian Hargreaves, Transport Correspondent

CAPITAL expenditure on railways outside the U.S. and the Communist world is expected to rise by 18 per cent to over £12bn this year, according to the latest investment poll by the International Railway Journal.

In the U.S., the rate of spending will increase at an even more rapid rate, rising by 25 per cent to reach £2.5bn. This reflects the efforts being made to modernise what is one of the world's largest but most run-down railway networks.

The biggest spenders outside North America in 1979 will be the railway administrations of South Africa, with plans to invest £796m, France with £800m and Brazil with £552m.

British Rail comes well down the list, with its investment level frozen at £312m again this year, compared with the £480m to be spent on the slightly smaller Italian network.

The importance of the U.S. market in 1979 is underlined in the poll's findings on main-line locomotive and goods wagon purchases.

Outside the U.S., railways plan to buy 1,200 locomotives and 35,000 wagons, compared with 85,000 wagons and over 2,400 locomotives inside the U.S.

In addition to the expenditure on main line railways, the poll also describes the continuation of the rapid transit boom.

A survey of 45 cities indicates total spending of £3.5bn this year with big investment planned in new systems in Tehran (£261m this year). Rio de Janeiro (£161m). Pittsburgh (£152m), Hong Kong (£156m) and Caracas £107m.

Among existing systems, Boston tops the investment list with £225m, followed by New York (£214m) and Paris (£210m). London Transport, in spite of work on the new Jubilee Line, lags well behind these metro authorities with a budget of £55m.

Saudi financial scrutiny hits foreign contractors

BY JAMES BUCHAN IN JEDDAH

THE OPERATION of strict financial measures covering projects in Saudi Arabia, which has already caused considerable problems for overseas contractors, have received additional support from Crown Prince Fahd.

In a statement to the Council of Ministers, the Crown Prince said that while the Government was anxious to see projects under the current five year development plan carried out quickly "it is our duty to see that costs are realistic." He urged the Ministers to scrutinise the work of consultants carefully.

The stringency measures, introduced in the June 1978 budget to reduce Ministry waste and cope with a revenue shortfall, include a stipulation that no commitment on new projects with a total value of over 100m Saudi riyals (£15m)—and very few are less—can be made without the prior approval of the Crown Prince's office. The Ministry of Finance and National Economy confirmed this last week.

According to local bankers, whose business has expanded to include a large volume of short-term financing for unpaid contractors, the SR 100m rule has been a major factor in the slowdown in the award of new contracts.

The budgeted expenditure announced in June was brought down from an original figure of SR 145bn to SR 130bn, because it was thought that the original deficit was too large, with revenue estimated at SR 115bn on oil output of 8m b/d. The lower figure is also widely considered approximately equal to the total actual spending in 1977-78 against a projected SR 111bn.

At the same time the Finance Ministry instructed other Ministries not to spend more than 70 per cent of their original allocation without referring back. Bankers report that the 70 per cent is a restriction, not a ceiling, designed to hold spending down to near the notional 1977-78 level.

Together with the SR 100m rule, it is aimed at keeping a tight rein on Ministries, particularly such heavy spenders as Communications and Agriculture. Bankers further report moves afoot to introduce a monthly budgetary system for the Ministries although the Finance Ministry would not confirm this.

The arguments for stringency were given additional impetus when sluggish oil demand in the first three months of the financial year kept average production at over 500,00 b/d below the anticipated level. Meanwhile, the bankers said the growth rate for the non-oil sector of the economy of 17 per cent in 1977-78 was considered satisfactory while inflation of up to 15 per cent annually was not.

No rise in canal tolls

BY ROGER MATTHEWS IN CAIRO

SUEZ CANAL tolls are to remain unchanged until at least 1980. This was stated by the chairman of the Suez Canal Authority, Mr. Mashhour Ahmed Mashhour, in an interview published here and aimed at halting speculation that tolls would be increased in line with the latest crude oil price rises.

Mr. Mashhour indicated, however, that tolls would probably be reviewed at some stage next year when the first stage of widening and modernising the canal had been completed. He added that net revenue from the canal had reached $520m last year and would probably top $580m in the current year. This increase, however, would be due to more ships passing through the canal rather than to any rise in dues.

SHIPPING REPORT

New optimism on tanker market

BY OUR SHIPPING CORRESPONDENT

WORLD OIL tanker markets can be expected to show a general improvement this year and next, leading to a removal of surplus capacity by 1982, according to a leading analyst.

Mr. A. Gordon Bayley, formerly tanker consultant to the UN, says in his annual review of world tanker prospects that prospects are looking brighter for all but very large crude carriers over 175,000 dwt.

He argues that some forecasters are overstating the size of the tanker surplus by neglecting the possibility that many ships now laid up will prove too expensive to re-activate and that shipowners may continue to find it more economical to operate their ships at well below their maximum speed to save fuel.

By mid-1979, Mr. Bayley forecasts that the overall surplus in the fleet will be reduced to 68m dwt, falling to 23m dwt by mid-1981 and producing an actual deficit by 1982. However, at this point there would still be a surplus of ULCCs.

These projections do not take account of new ships which will be built in the period analysed, but Mr. Bayley suggests that the ordering of new tankers will be cautious and confined to the smaller size ranges, where shortages are expected.

World Tanker Prospects, 1979-82. Tinney and Co., 385, Sefton House, Exchange Buildings, Liverpool L2 3RT. £60 UK, £63 overseas.

London talks on NZ dairy imports

By Christopher Parkes

MR. BRIAN TALBOYS, New Zealand's Deputy Prime Minister, is visiting London this week to negotiate future access to the British market for butter and cheese.

Current arrangements allow New Zealand to send 115,000 tonnes of butter this year and expire with a 110,000-tonne quota in 1980. Imports of New Zealand cheese ended in 1977, but there are hopes that an annual quota of 15,000 tonnes can be arranged.

Although the British Government is keen to retain New Zealand dairy supplies, all the other Community countries want to see the trade phased out rapidly. The British dairy industry is also anxious that New Zealand imports should be stopped.

Last year New Zealand supplied almost 40 per cent of British butter needs.

BL to boost EEC sales of Range and Land-Rovers

BY KENNETH GOODING

THE LAND-ROVER subsidiary of BL expects to raise substantially European sales of Land-Rovers and Range Rovers as the first stage of its production expansion programme comes on stream.

This £30m project has had a greater impact on Range Rover output and as a result European sales of these vehicles should jump by 25 to 30 per cent in 1979.

Sales of Land-Rovers are expected to rise by 20 per cent. The group will particularly concentrate on supplying diesel-engined Land-Rovers which now account for about two-thirds of the total sold in Europe.

Last year BL's sales of four-wheel-drive vehicles in the 12 European countries its distribution network covers rose by 8 per cent on the 1977 level. Some 4,100 Land-Rovers and 3,250 Range Rovers were sold compared with 3,860 and 2,800 respectively in 1977.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% change over previous year	Index base year
	Dec. '78	Nov. '78	Oct. '78	Dec. '77		
U.S.	150.4	149.5	148.5	139.6	+7.7	1967=100
	Nov. '78	Oct. '78	Sept. '78	Nov. '77		
France	130.0	128.0	128.0	126.0	+1.6	1970=100
Italy	137.0	141.6	136.6	125.5	+9.2	1970=100
West Germany	130.8†	124.6	123.0	124.4	+5.1	1970=100
Japan	125.3	124.1	124.4	117.3	+6.8	1975=100
UK	110.1	109.2	111.0	105.5	+4.4	1975=100
	Oct. '78	Sept. '78	Aug. '78	Oct. '77		
Holland	128.0	129.0	127.0	126.0	+1.6	1970=100
Belgium	127.2	124.4	107.4	119.6	+6.4	1970=100

† Provisional.

Ship aid for W. Germany introduced

By Adrian Dicks in Bonn

THE WEST GERMAN government's new series of measures to help the hard-hit shipbuilding and shipping industries has now been set in place, and has been welcomed by spokesmen for the two sectors.

For the shipyards, the new subsidies will take the form of a payment out of public funds of 10 per cent in 1979 and 1980, and 7.5 per cent in 1981, of the value of each new order for a high-technology, ocean-going vessel.

This is the area of the industry in which the German yards themselves, as well as the Government, believe they have the best chances of long-term survival, once the industry recovers from its present worldwide slump.

During the three years 1979-1981, ship owners will receive interest-free loans worth 1.5 per cent of the book value of their vessels, which can be cancelled if new vessels are ordered.

In addition, Federal guarantees of up to DM 500m will be available to help shipping lines with liquidity problems.

BRAZIL AND NIGERIA

Developing giants forge new links

BY DIANA SMITH IN RIO DE JANEIRO

BRAZIL AND Nigeria, the rapidly growing giants of their respective continents, have much to offer each other in terms of trade and the recent visit here by Nigeria's Vice-President, Brigadier Shehu Yar'adua, has resulted in a new commitment on both sides.

Links between the two countries started in the 19th century with the return to Africa large number of Afro-Brazilian liberated slaves, whose descendants bear Brazilian surnames. After long neglect the connection has been revived; Brigadier Yar'adua's visit had laid the ground for an estimated $3bn in bilateral trade in the next five years or $5bn if the value of oil deals is included.

Until now Brazil's oil imports from Nigeria, the world's eighth largest oil producer, have been modest. In 1978, only 20,000 b/d of average daily imports of over 800,000 b/d came from Nigeria.

Two factors, according to Brazilian diplomatic sources, are altering this situation. First, the Iran crisis: Iran was Brazil's third largest supplier of crude, and while Brazil's stocks are substantial, eventually it will have to turn elsewhere to offset the loss of this source.

Second, Brazil's trade balance with Nigeria is lopsided. Total imports from its largest African trade partner were only $25m from January to September last year, while exports were just over $200m.

"The Nigerians want to sell us more oil, and we are content to buy more oil and natural rubber, to build up stocks," diplomatic sources said.

Brazil's trade surplus with Nigeria contrasts strikingly with its Middle Eastern deficits (a $1.2bn trade gap with Saudi Arabia alone). While, with Nigeria, there are similarities of attitudes, climate and soil or subsoil conditions affording more rapid grasp of mutual problems or advantages, Brazil's negotiators, despite valiant efforts to learn how to deal with Arab requirements and outlooks, have frequently suffered from marked disadvantages in their attempts to persuade the Middle East to "buy Brazilian."

The success of Brazilian civil construction companies in securing $1.2bn in business in Iraq in 1978, with contracts to build hotels in Baghdad and a 550-km stretch of railway, was dampened by Iran's failure to implement its side of a 1977 $66bn two-way trade agreement implying purchase of Brazilian goods and services equalling at least 30 per cent of the sum Brazil spent annually on Iranian crude ($700m in 1978).

Meanwhile, in the course of Brigadier Yar'adua's visit to Brazil, the talks held at Government and private business level indicated that both sides are enthusiastically committed to equitable bilateral trade.

The bland language of the official communiqué signed at the end of Brigadier Yar'adua's talks in Brasilia, stating "the two parties note the successful conclusion of meaningful talks and express their conviction that this will result in significant advantages for both parties," did not do justice to the facts.

About 25 Brazilian consultancy and services companies have now set up shop in Nigeria, a joint commission has now ben formed to co-ordinate formation of joint ventures and technology transfers, and a group of Brazilian-based telecomunications equipment manufacturers (including Brazilian operations of Italy's Italtel and Teletra) is bidding for the order to equip Nigeria's modern telecommunications systems.

Around 85 per cent (or $170m) of Brazil's exports to Nigeria in January-September 1978 consisted of manufactured goods—not least the output of a group of Brazilian household appliance manufacturers marketing their wares under the Tama brand: their sales drive, which began in mid-1978, was an instant success. Plans are now well under way for assembly of appliances in Nigeria and, possibly, eventual manufacture from scratch on Nigerian soil. According to Brazilian diplomats, the future of Brazilian-Nigerian joint ventures, in almost unlimited areas, is bright.

Specific areas discussed during Brigadier Yar'adua's visit covered farming and livestock breeding, equipment for meat freezing and packing plants, engineering services for port improvements, hotel construction, urban development, railway building and mining. Furthermore, ground has been laid for joint banking ventures between Brazilian and Nigerian concerns—a logical step, diplomats say, since Nigerian law forbids foreign banks to set up operations on their own.

The rapid rate at which Brazil has fostered trade with Nigeria is proved by the fact that, in 1973, it exported only $7m worth of goods there. Thus it has increased sales almost 30 times over in five years.

Diplomatic sources even say that the estimated $3bn in two-way trade in the next five years is "conservative." Having learned their lesson from a burst of initial optimism about trade with the Middle East that dwindled into resigned recognition that the market had to be viewed with more realism, Brazilian diplomats are now less given to over-estimating trade potential anywhere, so it seems that the wish to establish a powerful Brazilian presence in Africa is beginning to come true.

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FT SURVEY OF CONSUMER CONFIDENCE

Industrial unrest raises pessimism level to 41%

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

CONSUMER CONFIDENCE has been sharply dented by the wave of industrial unrest, according to the latest FT survey of consumer confidence published today.

The index of "future confidence" has fallen to −27 per cent — the lowest level since late 1976 when the sterling crisis also sapped confidence.

The index shows that about 41 per cent of consumers surveyed expected conditions to worsen while only 14 per cent were optimistic. Last month the the index stood at −14 per cent.

Six months ago, consumers were equally divided over whether or not conditions would improve, but the trend has steadily been towards pessimism even before the latest sharp fall.

The reason for pessimism most often stated by consumers was the effect of trade union power and strike action. This was mentioned by 43 per cent of the sample this month, compared with only 24 per cent in December and just 7 per cent last August.

Although the proportion of those mentioning the Government and rising prices as their reason for pessimism is down, this is largely due to the overall increase in the numbers taking a more gloomy view.

The actual number citing these reasons was no lower than last month, but it has been reduced in importance by the concern over trade union disputes.

Among the relatively small group of consumers who remained optimistic for 1979, the reason most often given for this optimism was the general feeling that "things must improve," cited by just over half the optimists compared with almost four out of 10 in December.

The proportion of optimists feeling that inflation was under control dropped sharply while those who felt that higher pay rises would lead to overall greater prosperity dropped from 12 per cent in December to 2 per cent this month.

Optimism over the Government's handling of the economy also was down sharply, while the proportion mentioning a change of Government as a reason for optimism was at its highest since the category was introduced into the survey last May.

The decline in confidence is reflected among all age and social classifications although the drop for ABC 1 women was not as large as for the other groups because their confidence was already at a low level according to the December survey. In all the remaining social sub-groups, the proportion of pessimists increased by a tenth.

According to age groups, however, the under-35 has not suffered such a large fall in future confidence as the over-35. The younger age group declined by 6 per cent in confidence, while the 35-54 and over 55 age groups both dropped by 15 per cent.

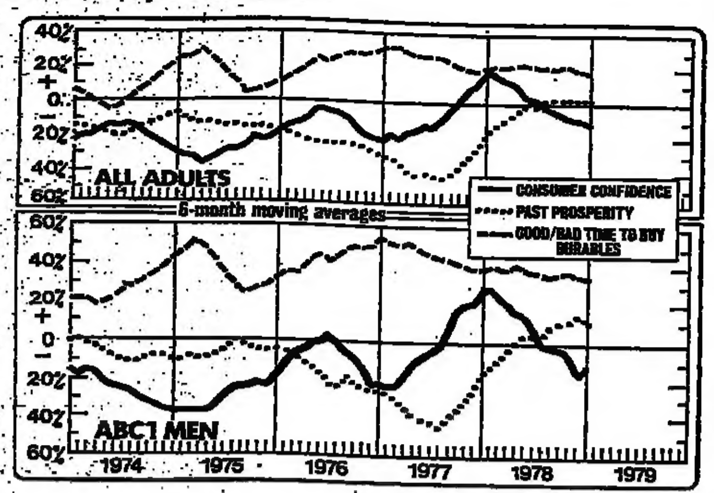
Regionally, Scotland and the North East had the largest fall in consumer confidence — with a drop of 22 percentage points to −23 per cent. But London and the South East formed the least confident region — a drop of 15 points bringing their regional index to −30 per cent — while the most confident region remained Wales and the Midlands at −21 per cent.

The time to buy "big things for the house" sector of the index is up by 14 percentage points to 20 per cent. However, the index was at an unusually low level last month and given that this index usually reaches a very high level in January, the latest figure must be regarded as disappointing.

In five out of the last six years the time to buy index has reached its highest level for that year in January and if this trend is repeated this year the demand for consumer durables is likely to be sharply down on last year.

The January index also suggests that the bargain sales offered by most stores has had a limited appeal, and it further illustrates consumer concern over the future of the economy.

But ABC I men — from the professional and executive classes — showed a sharp increase in willingness to buy durables after a lower-than-usual December figure. Working-class women, however, are by a considerable margin the group least likely to buy at present.



In spite of the depressed consumer confidence for the future, the index of past prosperity — how consumers feel now compared with 12 months ago — fell only slightly in January to stand at 1 per cent. About 30 per cent of consumers felt better off than a year ago, with 29 per cent feeling worse off.

The slight fall, however, does not mask the fact that the significant increase in consumer spending throughout 1978 has led to many people feeling better off. Those feeling better off have been in the majority for the past four months — the longest period than at any other time in the nine years of the survey.

The survey also revealed a slight increae in concern over unemployment. The index rose by 2 per cent to 21 per cent, with 35 per cent believing unemployment will increase and only 14 per cent expecting it to fall.

The survey was carried out by the British Market Research Bureau for the Financial Times between January 4 and 12. A sample of 1,018 adults were interviewed.

Earnings rise forecast for clearing banks

BY MICHAEL LAFFERTY

EARNINGS of the big London clearing banks will rise by at least 20 per cent in 1978 and 30 per cent in 1979, and be more than enough to meet their capital requirements, say the stockbrokers Laing and Cruickshank.

The firm says in its annual review of clearing banks. "The sector is moving out of a period when profits were insufficient to finance their capital requirements and when, despite over £400m of rights issues, capital ratios fell."

Laing and Cruickshank calculates that the minimum return on assets needed to make the clearing banks self-financing and still able to increase dividends will be 20-30 per cent lower than in recent years.

"These returns can be achieved easily on any reasonable long-run assumptions, suggesting that the recent spate of rights issues is virtually complete."

In 1973-77 the banks' need for capital grew rapidly because of heavy spending on fixed assets, while rapid growth in banking assets needed large additions to free capital. The clearers earned only an average of 1.2 per cent return on assets.

The banks should have earned 1.46 per cent return to supply their capital needs and still generate enough for dividends actually declared. The shortfall was met by large amounts of new equity raised as rights issues.

There was still deterioration in the banks' capital ratios.

From now on bank spending on fixed assets should grow less rapidly. Most recent spending was on such large property developments as new head offices, or building premises to meet decentralisation plans.

Laing and Cruickshank forecasts slower growth in banking assets.

Minimum rate of return required to make the clearing banks self-financing is put at 15 to 25 per cent lower than in the last five years.

Laing and Cruickshank concludes that on the lowest assumptions, results of home clearing bank operations will keep up with inflation for five years.

* *Clearing Banks, B. J. Lardner and C. J. Tyce. Laing and Cruickshank, Stock Exchange, London EC2N 1HA. Price £5.*

'More finance for industry' this year

Financial Times Reporter

A GROWING amount of finance is likely to be available for industry this year, say the City stockbrokers Wood, Mackenzie, thus giving opportunity for funding more industrial investment.

In its monthly circular the firm says that the proportion of institutions' cash flow pre-empted by long-term Government debt should be slightly lower than 1978.

It estimates that pension and life assurance funds will together have £8.6bn available for investment, compared with £7.4bn in 1978, while general insurance funds may have about £900m.

The public-sector borrowing requirement is expected to rise from £8.2bn in the current financial year to £9bn in 1979-80.

Insurance companies warned on agents

FINANCIAL TIMES REPORTER

UNLESS insurance companies exercised greater control over their agents they faced the prospect of a full Government licensing system of agents in the near future, whichever political party was in power, says Mr. Robert McCrindle, Tory MP for Brentwood and Ongar and Parliamentary adviser to the British Insurance Brokers' Association.

He told Ilford Life and Pensions Society that protection of a consumer using an insurance intermediary had been much improved by the Passing of the Insurance Brokers' Registration Act, 1977.

In such circumstances consumers would ask what protection was provided if they dealt with an insurance agent rather than a registered insurance broker.

Mr. McCrindle foresaw pressures developing for a full Government licensing system.

He thought this would come within three or four years, whatever Government was in power.

He urged insurance companies to exercise a greater degree of control over their agents as the only way to prevent this "unwelcome" Government intervention.

Run of snags shuts petrochemical plants

BY SUE CAMERON, CHEMICALS CORRESPONDENT

ACCIDENTS, technical faults and industrial disputes have shut down 10 European petrochemical plants over the past few months.

Big groups say that the consequent product shortages should help them to raise prices.

They say that the effect of the closures has been to tighten the market while all base chemical producers are suffering from serious overcapacity.

Production of ethylene, the so-called building block of the chemical industry, has been particularly restricted by the shutdowns.

Imperial Chemical Industries' ethylene plant at Wilton, Cleveland, was closed because of a shortage of skilled instrument artificers. The shortage was worsened by an industrial dispute over retraining.

The Spanish Enpetrol's ethylene cracker at Tarragona was halted last month because of an instrument fault. The plant, which is expected to be out of action until the end of next month, has an annual capacity of 375,000 tonnes.

Shell Nederland Chemie's ethylene cracker at Moerdijk, Holland, cut out and had to be taken out of commission briefly last month.

Norsk Hydro's ethylene plant at Rafnes, Norway, was closed for several weeks after a cracked gas compressor failed.

Shell Chemicals UK plant at Carrington was shut for alteratins enabling it to crack gas oil as well at naphtha.

Chemical companies face Third World competition

BY SUE CAMERON, CHEMICALS CORRESPONDENT

CHEMICAL COMPANIES that believe their markets will never be hit by competition from the developing countries are living in a "fool's paradise," an industry expert told the Commercial Development Association at its meeting in Houston, Texas, last week.

Mr. Michael Hyde, publisher of Chemical Insight, said that, even if only half the petrochemical plants planned by developing countries were built, they would "still adversely affect world markets." By the end of the century, the developing nations would have more than doubled their share of world petrochemical production which stands at about 8 per cent.

Mr. Hyde said he had identified more than 100 ethylene projects — ethylene is one of the so-called building blocks of the chemical industry — in 55 developing nations. His forecasts, based on the assumption that less than half these plants would materialise between now and 1990, would give the developing nations a 26 per cent share of world ethylene capacity by 1990.

He told the association there would be strong pressure for anti-dumping duties if the new producers tried to gain significant shares of traditional petrochemical markets on the basis of subsidised exports. But it would be harder to impose such duties on some countries than on others. It could prove particularly difficult to restrict chemical imports that were tied to much needed imports of crude oil.

"At the very least, the advent of new sources of production will force a continuing reappraisal of production and marketing strategies. Myopic managers who refuse to see the need for change will preside over declining businesses," said Mr. Hyde.

There was no call for traditional producers—in North America, Western Europe and Japan—to abandon the commodity end of their operations. But they would have to act "to keep one or two steps ahead of the new producers." This could be done only if established chemical majors made further advances in their technology.

He warned that, in improving existing processes, "managements would be wise not to licence their new technology as readily and as cheaply as they have in the past."

Credit delays costing thousands in exports

BY CHRISTOPHER PARKES

EXPORT ORDERS worth many thousands of pounds are being lost to British industry because of delays in the Government's Export Credits Guarantee Department, according to a leading farm machinery maker.

Mr. Alvan Blanch, chairman of Alvan Blanch Development, told a British Agricultural Export Council seminar that his company had waited six weeks, sometimes longer, for a reply from the Department.

He said: "We need some mechanism to get things moving quickly so that we can quote within seven to 10 days of the initial inquiry."

Mr. J. H. Hall, head of the Department's secretariat, said that information was sometimes difficult to obtain from remote parts of the world, but the bulk of the 5,000 weekly applications were answered in two days.

He offered no hope for early resumption of export credit cover for trade with Turkey, a market that has taken millions of pounds of UK farm machinery and equipment in recent years.

The seminar, which concentrated on finance services for small and medium-scale exporters, was organised as a result of a recent Government report that criticised the lack of assistance for smaller agricultural companies.

Financial Times plans two conferences

LEADING SPEAKERS from industry and Government will take part in a two-day conference called Tomorrow in World Electronics, organised by the Financial Times and to be held on March 21 and 22 at Grosvenor House, London.

It will review important developments and assess their impact on industry, employment and the community.

Mr. James Prior, Opposition spokesman for employment, will open the debate on the technological revolution and society. Dr. I. M. Mackintosh, chairman of Mackintosh Consultants, will discuss the impact of electronics technology on employment.

German and UK views on Governments and their role in the electronics industry will be presented by Dr. Fritz-Rudolf Guentsch, of the Federal Ministry for Research and Technology, and Mr. Leslie Huckfield, Parliamentary Under-Secretary for Industry.

The Financial Times, with the Trade Policy Research Group, is organising a two-day conference on Invisible Barriers to Invisible Trade on March 28 and 29 at the London Press Centre.

Speakers will include Sir Frank McFadzean, chairman of the Trade Policy Research Centre, and Mr. Ronald K. Shelp, vice-president and director, American International Underwriters Corporation.

The Trade Policy Research Group has been assessing such invisible barriers and has suggested means of overcoming them.

Five new exhibitions for Harrogate

By Anthony Moreton, Regional Affairs Editor

FIVE NEW exhibitions will be held in Harrogate this year, taking the number of exhibitions and conferences held in the town to a record level.

This year's newcomers range from "fashion fabrics" to "mining, electrical and mechanical engineers." The record total for conferences was set in 1974 when 459 were held.

Mr. Tony Miles, director of resort services said: "1979 will be our most successful year and this indicates the increasing demand for larger and more modern facilities.

"Advance bookings, stretching into the late 1980s confirm the council's foresight in planning and developing the new conference centre."

One result of the increase in demand for conference and exhibition space is that there is virtually none available this year. Even December, normally a very quiet month, has received bookings and one exhibitor has taken space until Christmas Eve.

Aeronautical Society appeal

AIRLINES and the aircraft industry have been asked to help the Royal Aeronautical Society in an appeal for cash to recoup the £300,000 it is paying for a new lease on 4 Hamilton Place, its Mayfair headquarters.

The £300,000 has been paid from a fund which is now exhausted and from a loan by a member.

MPs seek expert opinion on public spending cuts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

AN ALL-PARTY committee of MPs hopes to enlist the help of a wide range of academic and City economists in its examination of the Government's public spending plans.

The inquiry is being carried out by the general sub-committee of the Commons Expenditure Committee, chaired by Mr. Michael English, Labour MP for Nottingham West.

It will involve a number of public hearings near the end of the month when senior Treasury officials—and possibly also Mr. Joel Barnett, the Chief Secretary to the Treasury—will be questioned about the economic background and detailed plans in the expenditure White Paper publisher last Wednesday.

In preparation, the sub-committee has written to more than a dozen economists and other interested parties saying that their comments would be welcomed.

This follows similar exercises last year after the publication of the spending White Paper and during the debate on whether the UK should join the European Monetary System.

However, unlike last year the sub-committee is not publicly or formally requesting submissions from outsiders, while welcoming papers are likely to be published.

This is partly because the examination of the new White Paper may be rather lower key than last year since, on the face of it, the plans and presentation are less controversial. However, members of the sub-committee will, no doubt, be keen to press the Treasury on the inflation prospects.

Proposed expenditure volume 'inappropriate'

BY OUR ECONOMICS CORRESPONDENT

THE PROPOSED volume of public expenditure is completely inappropriate in view of the private sector's likely need to borrow more, according to stockbrokers W. Greenwell and Co.

In their latest monetary bulletin, published this morning, the brokers argue that private sector borrowing needs will rise because of lower profit margins, resulting from sterling's relative strength, the cost of high wage settlements, strikes and industrial disruption, and the planned extension of price controls.

However, "the private sector is already being crowded out of financial markets by the public sector, notably by Minimum Lending Rate of 12½ per cent and the constraint of the corset on bank lending. In these circumstances, the public sector ought definitely to cut its demand for funds."

The brokers claim that "the reduction in public spending (excluding financial transfers and debt interest) by 1.5 per cent in 1976-77 and by 4.6 per cent in 1977-78 was an important reason for the underlying improvement in the economy which began towards the end of 1977.

"The fall in public expenditure was largely reserved in 1978-79, which in turn is an important reason why the improvement in the economy will not be sustained.

Banks set up £84m credit for BL dealers

By John Evans

AN ACCEPTANCE credit totalling £84m is being assembled by a group of City of London banks as part of the new scheme to finance the vehicle stocks of BL (British Leyland) dealers.

It is one of the largest acceptance facilities — essentially a system of banking credit extended to a company for trade financing—to be floated in City money markets.

The proceeds will be made available to a new organisation, Wholesale Vehicle Finance (WVF), which is scheduled to provide credit to BL dealers from next month.

N. M. Rothschild, the merchant bank, is syndicating the acceptance facility among the leading City banks.

While it has been known for some weeks that such a facility was being discussed, its size outstrips some initial expectations.

It will be the centre-piece of WVF's financing operations, adding to the new company's own shareholders' funds and other bank credit lines.

Once functioning, the arrangements could create more than £100m for financing finished BL cars.

Although the final shape of the WVF operation has not yet emerged, the National Enterprise Board is expected to take a 75 per cent stake in the venture. Other interests are expected to include United Dominions Trust, the finance house, as well as the pension funds of some nationalised industries.

The acceptance credit technique, long used in trade financing, will provide a particularly flexible method of financing dealer car stocks, according to City bankers.

The credit will be activated by the sale by WVF of bills to the participating banks, which will be able to re-discount them in the money markets. As such, the bills should carry a rate of interest similar to other 90-day sterling bills.

The scale of the operation represents an innovation for the City. Rothschilds is understood to have closely studied the long-established American techniques for financing dealer car stocks, and adopted elements of U.S. methods best suited for British conditions.

Value of building orders down £113m. in November

BY PAUL TAYLOR

CONSTRUCTION ORDERS in November fell for the first time in four months, according to provisional figures published by the Department of the Environment.

The department estimates that the current price value of all new orders won by contractors during November was £738m against £851m in October. A year earlier orders were valued at £669m.

In constant price terms, total new orders for the September to November period were 5 per cent higher than in the previous three months and 9 per cent up on the same quarter in 1977.

New orders in the public housing sector in the quarter under review were 7 per cent down on the previous three months and 7 per cent down on the corresponding quarter a year earlier.

Private housing orders showed a 9 per cent rise on the June to August figures but were up 21 per cent on September to November, 1977.

Public non-housing orders in the September to November period were up 13 per cent on the June to August period but down 1 per cent the same quarter in 1977. Private industrial building orders were down 7 per cent on the previous three months but up 10 per cent on the corresponding period a year earlier.

Private commercial orders were more buoyant, showing a 7 per cent increase on the previous quarter and a 35 per cent increase over the same quarter last year.

Car makers study voluntary fuel curbs

By Kenneth Gooding, Motor Industry Correspondent

A VOLUNTARY scheme to reduce petrol consumption by cars substantially is being hammered out by the Society of Motor Manufacturers and Traders.

Members of the society, including importers, are heading toward agreement on the project, which it is hoped would save about 10 per cent in fuel usage by the mid-1980s. This could be achieved only if there were no significant changes in emission control standards.

It would impose considerable pressure on the industry and need many basic engineering changes, because the easy first steps toward petrol savings have already been taken. Since the oil crisis in 1973 there has been an average 10 per cent reduction in fuel used in European car fleets.

Work has gone on since early 1978, partly in a joint working party of society representatives and the Department of Energy.

It has been agreed that a mandatory scheme must be ruled out. The society has been asked for a voluntary statement on what could be achieved.

In the U.S. there is a mandatory scheme, but the European industry believes too many problems are involved in measuring fuel consumption.

"What the industry wants to achieve is energy improvements that the motorist will notice, not just improvements in artificial test circumstances," said a society official at the weekend.

As with the American scheme, British manufacturers are likely to spread the reduction over their whole range of models in the UK, but not necessarily spread it evenly.

A voluntary "target" would have the advantage of giving companies many options about how to save fuel, and would not restrict design policies.

Any scheme would have to involve a measure of agreement with the European Commission working party, which has been discussing the same problem.

Irish Foreign Minister meets Mason this week

BY STEWART DALBY IN DUBLIN

MR. MICHAEL O'KENNEDY, the Irish Foreign Minister, is to visit London this week, probably on Wednesday, for a meeting with Mr. Roy Mason, the Secretary of State for Northern Ireland.

The Foreign Ministry in Dublin stressed that this is one of the regular meetings that the two countries agreed last year should take place from time to time and was at pains to point out that the visit is not specifically in direct response to the campaign of violence by the Provisional IRA in the UK and Northern Ireland.

The two men last met in October 1978 when almost by accident both Ministers attended a soccer match in Dublin between the Republic and Northern Ireland. They held talks afterwards. However, since then, Mr. O'Kennedy has made an attempt to revive the debate on Northern Ireland.

Two weeks ago he said the Irish Republic could not allow another year to go by without some attempts at ending the violent stalemate in the Province. He called on Britain to initiate a dialogue aimed at finding a political solution to the Province's problems.

Mr. O'Kennedy's speech was the first major pronouncement by a Dublin Minister for almost a year. In February, 1978, Mr. Jack Lynch, the Prime Minister, called on Britain to give some kind of date for withdrawal of its troops.

As the violence seemed to lessen for most of last year, however, the Dublin Government seemed to have left the issue in obeyance.

But with the upsurge of violence, Dublin is again making noises about some kind of political movement in the Province. Mr. O'Kennedy said his main interest was seeing some kind of talks between Britain and Ireland and the two traditions in the North getting under way. He also said greater prosperity in the Republic could help Ulster.

It is thought likely that talks between Mr. Mason and Mr. O'Kennedy will concentrate on political problems.

Some manufacturers defy pickets to get supplies

FINANCIAL TIMES REPORTER

SOME MANUFACTURERS have started to show they are prepared to defy picketing lorry drivers to pick up vital supplies. The CBI said yesterday that it had received reports over the weekend from member companies in the East Midlands that they had started to force their way through picket lines and intended to continue such action this week.

One potato crisp manufacturer is bringing back its 1,000-strong workforce today, according to the CBI, after obtaining three days' supplies of cooking oil. There were reports from Felixstowe docks that picket lines there had been defied by one unidentified manufacturer obtaining raw materials.

NORTH

A GROUP of lorry drivers will meet in Manchester today to try to organise a return to work on the basis of the Road Haulage Association's present 15 per cent offer.

The men are claiming that there is widespread support for their point among drivers in the region where a total of 28,000 people have so far been officially reported laid off because of the dispute.

If there is a good turnout at the meeting the men will march on the regional headquarters of the Transport and General Workers' Union.

In the region generally, it will only become apparent whether the new TGWU code on picketing is being observed by the more militant drivers.

With many factories closed for the weekend, picketing has eased but there were few signs on Friday that the men were yet willing to give up their blockade of industry.

A mass meeting of lorry drivers in Hull will reconsider today the TGWU code of conduct which many companies, already being strangled by militant local strike committees, fear will be rejected.

There are now 85,000 workers laid off in the North, according to the latest CBI count of its members and the figure could double by this weekend.

In Yorkshire and Humberside alone 35,000 workers have already been sent home and the figure could reach 70,000 this week.

WALES

MANY MANUFACTURERS in Wales will be closing their plants at the end of the week even though picketing is easing in certain areas.

All exports are held up at docks, supplies of lime are seriously threatened because of rail strikes and manufacturers cannot get raw materials because of heavy picketing outside the region.

Pilkington closed two plants—at Pontypool and Wrexham—on Saturday after running out of storage space for finished products. Dunlop's Aberdare plants will keep working for only another week if the picketing does not ease.

Mr. George Wright, the Transport Workers' Welsh secretary, claimed that up to 40 haulage companies have now signed new wage agreements. Only one major haulier was left holding out in North Wales.

He expected many more to break ranks from the Road Haulage Association in the next few days unless the Advisory Conciliation and Arbitration Service mediation in London produced a countrywide settlement.

SOUTH-WEST

THE NUMBER of threatened lay-offs in the South-West is not clear. Haulage companies in Devon and Cornwall are still working normally, because the local RHA agreement does not expire until the end of the month.

More effects of the lorry drivers' strike

In the rest of the region, a significant number of hauliers have apparently settled and are back on the road which could ease the position considerably.

MIDLANDS

HOPES OF averting further large-scale lay-offs in the Midlands this week depend on the response of lorry drivers to the union instruction to end secondary picketing.

Many companies, which were last week thinking of closing, appear to be prepared to keep production going at least for a few more days in the hope supplies might start to move again.

"An act of faith," was how Mr. Reg Parkes, chairman of the West Midlands Region of the Confederation of British Industry, described the position last night.

Brockhouse Engineering, at which Mr. Parkes is Managing Director, received deliveries of steel last Friday for the first time for three weeks, but it remained to be seen whether that improvement could be maintained, Mr. Parkes said.

BL Cars, with its heavy dependence on the component suppliers and metal industries of the Midlands, plays a leading role in the pace of activity in the local economy. The company has so far kept lay-offs to about 2,000, but warned last night that the position was being reviewed daily.

ULSTER

THE 48-HOUR clampdown on the movement of essential goods by striking lorry drivers in Ulster appears to have had little effect. Their blockade of the ports was called after the death of a picket in Aberdeen last week—but because it came at the weekend, disruption was minimal.

As in other parts of Britain, the number of lay-offs in industry, at about 18,000, has not increased to the level forecast. But many companies are feeling the pinch. More lay-offs are expected this week at Courtaulds, near Belfast.

British Enkalon, which employs more than 2,000 people at Antrim, will decide today whether to cut production because of the build-up of finished goods at the plant.

Michelin has reduced tyre production at its two factories because raw materials are not getting through. Tobacco products manufactured by Gallaher are stockpiling because export orders cannot be dispatched.

The two sides in the dispute may meet again this week after the informal talks which were arranged by conciliation officers from the Northern Ireland Labour Relations Agency.

LONDON & SOUTH

ALTHOUGH picketing in London and the southern areas was patchy over the weekend, many companies reported that supplies were not getting through. Secondary picketing was still in evidence.

Some owner-drivers and own account vehicles with union cards are getting through picket lines at the docks at Southampton. Some cheese, meat and animal feedstuffs was moved over the weekend but no newsprint or containers were taken out.

James Burroughs, which makes Beefeater Gin, said yesterday that production will have to be run down this week when it runs out of glass.

British Steel to lay off last of tinplate workers

THE LAST of the British Steel Corporation's 6,500 production workers at Ebbw Vale, Trostre and Velindre are to be laid off this morning, bringing steel industry layoffs to 25,000.

Lorry driver pickets operating round the clock have almost stopped deliveries of tinplate in and out of the corporation's three works in South Wales.

Lifting secondary picketing has made moving tinplate little easier. Members of the strike-bound Road Haulage Association normally handle most deliveries to and from the works.

The three works are essential sources for Britain's canning industry and a long closure will have serious consequences for food and drink manufacturers.

British Steel said that the union had promised to allow out tinplate used for food packaging provided that it was carried in lorries not used in the dispute.

The corporation commented: "Very few of our customers have their own transport available for the collection of tinplate."

Metal Box, the main customer for South Wales tinplate and leading manufacturer of cans for the food industry, has laid off 200 workers at its Northern Ireland "open topped" factory and 370 at its general line factory in Carlisle from today. A further 800 will be sent home by Wednesday from its Hull factory.

Metal Box employs 8,500 people at its 14 plants making "open topped" ware for the food and drinks industry and a further 7,100 people at its other factories. More people may be laid off next week if the shortage of tinplate continues.

Counting the cost for food and farms

By Christopher Parkes

FOOD AND farming industries have begun assessing the long-term impact on production and trade of the lorry drivers' strike. Although animal feed and human food ingredients have begun to move, there are still shortages of varying severity and thousands of workers are laid off.

There are fears, for example, that export orders held up by the hauliers' pickets might be permanently lost.

Mr. Jim Main, chairman of Rowntree Mackintosh's export division, said yesterday that exporters were being throttled.

"Some of the 3,500 jobs created by exports could be lost for good," he claimed.

Among exports blocked are Smarties for Austria and a shipment of Easter eggs for Japan.

Farming could continue to suffer in the longer term from the losses of production caused by feeding animals on emergency rations. Egg production is already down about 20 to 25 per cent and young birds being prepared for the egg production line have suffered.

Because of uncertainties over feed supplies, farmers have reduced their intake of chicks and young pigs for fattening. This could reduce supplies of meat and eggs later in the year.

The Food Manufacturers' Federation is also concerned that some of the smaller companies in the industry might not re-open when the strike is over.

Margins in the food industry have been dangerously slim for the past three years and it is feared that the strike might prove a killing blow for some of the more enfeebled companies which have now been without some vital raw materials for almost a fortnight.

Moving out

The Ministry of Agriculture reported yesterday that bagged salt, essential for small bakeries and many food makers, was at last moving out from ICI and British Salt depots in Cheshire.

Quantities were only small yesterday but were expected to increase today.

The build-up of blood and inedible offal at slaughterhouses, caused by the closure of most of the country's pet food industry, was also easing yesterday. Public health officers were supervising removal and disposal in lorries and tankers.

Supplies of citrus fruit were also moving, although importers were unlikely to recall ships already diverted from British ports to the Continent.

The Ministry reported that picketing of food depots, factories and stores had eased at the weekend. Particularly noticeable was the relaxation of strictures on animal feed materials in North Humberside.

Airport closed

NORWICH AIRPORT will not operate today because of the one-day stoppage by the National Union of Public Employees and the transport workers' union. Over 500 passengers, mainly from Amsterdam, Scotland and the oil-fields, have had their flights cancelled.

Tax deposit interest rates rise

By David Freud

INTEREST RATES for certificates of tax deposit have been raised from today.

The certificates, operated by the Inland Revenue, may be bought in advance for surrender in payment of all taxes except Pay As You Earn and tax deducted from payments to sub-contractors.

The interest rate increases from 12.5 to 13 per cent on new deposits accepted under the terms of the prospectus for certificates dated August 29 and applied in payment of tax.

The rate on deposits withdrawn for cash increases from 10 to 10.5 per cent. The bonus payable on deposits applied in payment of tax and held for more than six months remains at 1 per cent.

Papers gain from Times closure

BY JOHN LLOYD

FLEET STREET "quality" newspapers, both daily and Sunday, have benefited from the closure of Times Newspapers over the past 50 days. Some have gained substantially.

The Observer put up its display and magazine advertising rates by a third last week, and plans to put up its classified rates by about 29 per cent from February 4. The Sunday Telegraph is now thinking of following suit.

The Observer's circulation is now claimed to be around 1.1m, while the Sunday Telegraph says it will be at the 1.2m mark next month.

This compares with a circulation of 700,000-750,000 in the Observer, and about 850,000 last year for the Sunday Telegraph.

The Observer says that the price rise is necessary because of the pressure on advertising space in the newspaper. It could print 72-80 page papers, but the newsprint shortage is limiting it to 48 pages.

The paper admits that it has had complaints from advertisers, but most understand that the extra costs of printing three main sections instead of two, had to be covered.

The increase in sales represented a 60 per cent rise over the same period last year, and thus advertisers were "getting a better deal" from the new rates.

The Daily Telegraph has reported a rise of 70,000 copies in the past month—about 5 per cent increase. It has no plans to raise its advertising rates.

The Guardian said that demand for copies had gone up "very much," but would not say how many extra copies were being printed. It faced difficulties because the Daily Mail presses it was now using were slower than those at Times Newspapers, where the Guardian is normally printed.

The paper added that the closure of The Times had coincided with a promotions drive, when it would expect to put on copies anyway.

The Financial Times, which also had a promotions campaign over the period of Times Newspapers' closure — said that it had "benefited only slightly." Although it had not planned to put on more copies, it was doing so to meet extra demand from newsagents.

Pensions rise 'should have been bigger'

By Eric Short

OLD-AGE pensioners are receiving less than they are entitled to, Mr. Hugh Faulkner, director of Help the Aged, says in a letter to Mr. David Ennals, Social Services Secretary.

He says that the last pensions revision, in November, should have given a single person £19.81 a week instead of £19.50 and a married couple £31.70 instead of £31.20.

The rise, 11.4 per cent, was based on an estimate of the movement in earnings between November 1977 and November 1978. However, the actual movement in the earnings index for the period, published last Wednesday, was 13.2 per cent.

Mr. Stanley Orme, Pensions Minister, told the Commons on Wednesday that he was under no obligation to make good any deficiency in the forecast, but the Government would be taking the shortfall into account in its review in the spring.

United Biscuits to raise prices

BY OUR CONSUMER AFFAIRS CORRESPONDENT

THE PRICE Commission is to allow United Biscuits to put up prices for a range of biscuits, crisps, nuts, and savoury snacks by just under 4 per cent.

But the Commission also announced that it still planned to go ahead with an investigation into the background to the price rises. It should be completed by late April, and will include a study of the effects of consumers' buying power on the company's price structure as well as the effectiveness of the company's productivity measures.

The 3.98 per cent price rise was allowed under Price Commission discretionary powers.

The Commission has also made use of the same powers to allow the Daily Telegraph to implement a 1p cover price rise to 10p. This increase had been sought by the newspaper last November but had been frozen by the Commission's decision to investigate the rise.

Following representations from the newspaper, the Commission has allowed the rise to go ahead although it is still continuing its investigation, due to be completed by the middle of next month.

Security men continue strike

LIVERPOOL'S 80 security men who patrol parks and recreation grounds decided yesterday to continue striking over the suspension of three colleagues. They refused to work in St. John's Gardens in the city centre without more back-up support and pay.

Gravediggers and crematorium workers in the city also on strike today plan indefinite stoppages from Wednesday, over pay and conditions.

Mulley may discuss arms with Australian Minister

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

POSSIBLE Australian purchases of UK defence equipment and the changing strategic situation in South-East Asia are expected to be on the agenda this week when Mr. Jim Killen, Australian Defence Minister, visits Britain for talks with Mr. Fred Mulley, Secretary for Defence.

Although Australia has ostensibly ruled out any immediate purchase of the Tornado multi-role combat aircraft, the UK has not given up hope of selling the aircraft there, and there is continued Australian interest in UK warships, such as frigates and guided missiles.

As a result Mr. Killen is expected to meet officials of both British Shipbuilders and British Aerospace during his visit.

The overall defence situation in South-East Asia and the South Pacific is also likely to be of major interest to the two Ministers, in the light of the Vietnamese-Cambodian fighting.

Peterborough port scheme costed at £45m

IT WOULD cost £45m to develop Peterborough as an inland port, according to a report from the British Waterways Board.

The city is about 20 miles inland on the River Nene, but the possibility of attracting sea-borne trade has been investigated in the light of the Government's overspill programme which will boost the population to 160,000 by 1985.

The report says that the project is feasible on engineering grounds, but an acceptable commercial rate of return on the large investment involved could not be found.

It adds: "*Most and perhaps all of the money for such a scheme would have to be provided by central government.* There will be benefits such as extra jobs, improved transport services, improved flood protection and scope for more recreation, and these will need to be taken into account in assessing the overall viability."

Seven local and public authorities have been invited to give their views to the *Department of the Environment.*

UK leases Japan DC-10

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

British Caledonian Airways signed a $58m contract to lease a U.S. McDonnell Douglas DC-10 tri-jet for 10 years from Orient Leasing of Japan.

The deal includes the $39m purchase cost of the aircraft and interest charges of $25 per cent a year over 10 years. Orient Leasing will buy the aircraft and deliver it to British Caledonian next month as part of the Japanese Government's programme to trim its country's trade surplus.

Japanese companies have leased out six wide-body jets under the scheme: two each to Spantax of Spain and Singapore Airlines and one each to British Airways and Maersk Air of Denmark.

● NEWS ANALYSIS—SULLOM VOE OIL TERMINAL

Far from end of a costly story

BY KEVIN DONE, ENERGY CORRESPONDENT

THE COST of building the massive oil terminal at Sullom Voe in the Shetland Islands has risen inexorably since the first plans were tentatively laid in the early 1970s. By the end of 1981, the oil companies hope to have completed the building of a crude oil terminal and port that will be capable of handling as much as 1.4m barrels of oil a day from the North Sea, enough to meet two-thirds of the UK's oil consumption. On present estimates that project will cost £813m.

But that will be far from the end of a story which began in 1973 when Shell made a planning application to build a modest £20m tanker terminal to receive oil from the Brent Field. Already, further additions to the terminal are planned which will take the cost beyond the £1bn mark, and as the development of more oil fields in the prolific East Shetland basin is approved, the oil companies will have to face the decision of increasing the capacity of the terminal to as much as 2m barrels a day.

The task of building the terminal has turned out to be a far bigger job than any of the participants realised when it was first proposed.

Extra costs

Construction has been marked by endless wrangling between more than 30 oil companies involved in exploiting the offshore fields and the Shetland Islands Council, which in 1974 acquired unprecedented powers to control the oil developments. The disagreements have hardly been surprising when so much was at stake but, at the weekend, for a few brief hours at least, the various parties contrived to set aside past differences to celebrate the official inauguration of the terminal.

The first crude came ashore towards the end of November. Because many of the processing facilities will not be ready for another two years or more, the crude oil is still having to be stabilised offshore. The natural gas and natural gas liquids are being separated from the oil at the production platforms and either flared into the atmosphere or re-injected into the reservoir.

But all the parties can now begin to see some small return for their investment and effort. More than 1.5m tonnes of crude oil has been loaded out aboard more than 20 tankers. The participants can also begin to count some of the extra costs.

Three weeks ago—only a month after the first oil arrived—the terminal suffered its first big pollution accident when 1,150 tonnes of heavy bunker fuel oil spilled into the harbour, eventually polluting several stretches of rocks and beaches around Sullom Voe.

It was an issue that could not be ignored at the weekend. Mr. Robert Bruce, Lord Lieutenant of Shetland, said that the confidence of the Shetlanders that the oil industry could operate without causing a mess had been seriously damaged. Both the oil companies and the council—the port authority—have admitted that they were not prepared to cope with a spillage of this particular kind of bunker oil.

The booms, which at first corralled some of the oil in the harbour, failed, and much of it ended up on the surrounding shores. Dr. Tom Harris, the terminal manager, said that 700-800 tonnes of the oil had been removed from the shores. Some chemical dispersants had been used on remaining thin films of oil on the sea, but they were ineffective against the thicker deposits.

In the meantime, the restriction on the size of tankers using the terminal to 100,000 tonnes dwt would remain in force, at least until Easter. Repairs to the damaged jetty should be completed within a few months and Mr. Chris Ennis, the council's finance director, has made clear that all the costs will be borne by the oil industry.

Dr. Harris said that about 500 tankers will visit the terminal this year and about 650 next year. Crude oil throughput by the end of this year should be up to 900,000 barrels a day, rising to 1.3m to 1.4m barrels a day at the end of 1980. The present throughput is 320,000 barrels a day — 50,000 barrels a day from the Ninian Field, 20,000 barrels a day from Heather, 100,000 barrels a day from Thistle and 150,000 from Dunlin.

Mr. Ted Ferguson, construction manager at the terminal, said the £813m project for a 1.4m barrels a day terminal was 58 per cent complete. Additions to the terminal already planned or agreed could boost the cost to more than £1bn, however. These include four more 600,000 barrel crude oil storage tanks, taking the total to 16, two more crude oil loading pumps and a fifth jetty for the exclusive loading of liquid petroleum gases.

By the beginning of this year, £400m had been spent on the terminal. Labour costs are expected to account for 12.5 per cent of the final project costs.

More equipment

In May, the oil companies involved at Sullom Voe will hold their annual meeting to decide what quantities of oil they intend to put through the terminal in four years time. Since the last meeting, BP has decided to go ahead with the £1.25bn development of the Magnus Field, which will be produced through the Ninian pipeline system into Sullom Voe.

Other fields to the east of the Shetlands such as North West Hutton and Hutton are also expected to go ahead in the next year, which could persuade the companies to up-grade the facilities of the terminal to handle up to 2m barrels a day of crude oil, the limit of the two pipelines. This would mean building one or two more crude stabilisation process units and other equipment costing as much as £200m, said Mr. Ferguson.

Ultimately, the terminal has been planned to have a capacity for taking 3m barrels a day of crude oil, but that would mean the building of a third pipeline, perhaps from fields to the west of the Shetlands.

Engineering union accused of bending the rules

BY ALAN PIKE, LABOUR CORRESPONDENT

LEADERS of the Amalgamated Union of Engineering Workers engineering section have been accused by TASS, the section for white-collar staff, of a unilateral attempt to alter the union's rules.

After several years of frustrated attempts to develop the AUEWs four federal sections into a fully merged union, the executive of the dominant engineering section is recalling its national committee next month in a new bid to break the deadlock.

The committee will be asked to clear the way for a full transfer of one of the sections—for foundry workers—into the engineering section by using the Trade Union Amalgamations Act.

TASS and the fourth section—for construction workers—are at present refusing to complete the amalgamation in this way.

The latest unification attempts are complicated by political considerations—TASS is Communist-led while the engineering section is now firmly under Right-wing control. Another difficulty is the parallel discussions being held by the engineering section with the Electrical and Plumbing Trades Union on a possible amalgamation.

Under the existing proposals for completing the AUEW amalgamation, the four sections would retain their separate identity. But in a letter to Mr. John Boyd, engineering general secretary, the TASS executive says "widespread fears" have been aroused among TASS members by the belief that the EPTU was demanding the abolition of sections as part of the price of amalgamation.

The real issue says the TASS executive letter was the role of white-collar workers and the need to respect the separate identity of industrial or occupational groupings. At the present stage of technical and social development, it was necessary to retain sectional identities which reflected industrial reality and the existing AUEW provided a framework which could attract other unions.

"The AUEW is failing to attract other unions because of the well-publicised disagreements in its ranks and not because of any intrinsic weakness in the current AUEW structure."

Mr. Boyd said the attempt to transfer the foundry section into the engineering section was taking place because "we have to make progress where we can." If the transfer went ahead, the foundry section would retain its sectional identity but would have a common rulebook and structure with the engineering section.

Computer staff ballots on action which could delay Access bills

COMPUTER STAFF belonging to the National Union of Bank Employees, working at the Joint Credit Card Company, which processes Access transactions, are threatening industrial action in a pay parity dispute.

More than 900 are involved. They want increases of up to 25 per cent to bring them level with Midland Bank employees doing similar work.

The union said that industrial action, on which a ballot is being held, might cause delays to bills for purchases made by Access card.

"The company has started to employ computer contract staff at salary rates in excess of what is paid to union members. We maintain that if there is a shortage of staff it is because of the low salaries paid."

The Central Arbitration Committee is to rule at the end of this month on the claim for a new salary structure.

The company has its main computer complex at Southend. Access is jointly owned by three of the big four clearing banks.

Manchester bus crews stop work

BUS CREWS in Greater Manchester are to stage a one-day stoppage today. A total of 7,000 men are resuming the programme of disruption which has now been running since early December in support of a pay claim. Other services will be seriously affected by the public service workers' day of action, and Manchester airport is likely to be brought to a halt.

Law cannot stop trade unions abusing power—Lord Denning

FINANCIAL TIMES REPORTER

LORD DENNING, Master of the Rolls, declares that the law can do nothing to prevent abuses of power by trade unions. Moreover, any intervention by the law in trade disputes would provoke such resentment that it would only make matters worse.

While the common law has done much to stop powerful groups of employers abusing power, it has exempted the trade unions. "Parliament has granted them immunity," he adds.

In a book, The Discipline of the Law, being published to mark his 80th birthday tomorrow, Lord Denning says that it was not for the judges to cavil at this, nor to criticise it.

"Parliament must think — and no doubt with reason — that the law should have nothing to do with trade disputes. They are to be solved by the good sense of the parties and not by the judges."

He also criticises the law lords of the House of Lords which he left in 1962 to return to the courts as Master of the Rolls and presiding judge of the Court of Appeal. The Lords have sometimes overturned his radical decisions.

"The strict constructionists still hold their fortress. The Court of Appeal is still bound hand and foot. The powerful still abuse their powers without restraint."

Lord Denning will spend his 80th birthday in court — and has made it known that any suggestions of impending retirement are incorrect.

Staff cuts at Belfast Ropework

BY OUR BELFAST CORRESPONDENT

THE BELFAST Ropework Company is to cut back its labour force by about a fifth because competition from abroad is hitting sales of some of its products. The company, a subsidiary of the Ulster group McCleery L'Ami, will pay off between 60 and 70 of its 330 workforce, including production workers, administration, sales staff and management.

The company is to drop some unprofitable items in its product range. Various twines are under severe pressure from cheaper European products, mainly because of the lower cost to Continental manufacturers of raw materials.

MOTOR CARS

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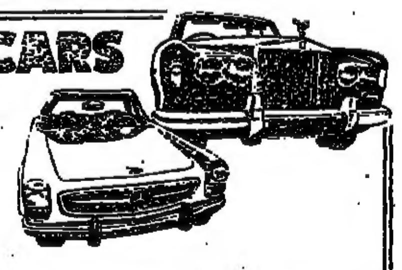

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COMPANY NOTICES

ANGLO AMERICAN CORPORATION GROUP
TRANSVAAL GOLD MINING COMPANIES
FINAL DIVIDENDS—FINANCIAL YEARS ENDED DECEMBER 31 1978

On January 18 1979 dividends were declared in South African currency, payable to members registered in the books of the undermentioned companies at the close of business on February 2 1979, and to persons presenting the relevant coupons detached from share warrants to bearer. A notice regarding payment of dividends on coupon No. 77 detached from share warrants to bearer issued by the South African Land and Exploration Company Limited will be published in the press by the London Secretaries of that Company on or about January 26 1979.

The transfer registers and registers of members will be closed in each case from February 3 to 16 1979, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about March 8 1979. Registered members paid from the United Kingdom will receive the United Kingdom currency equivalent on February 27 1979 of the rand value of their dividends (less appropriate taxes). Any such members may, however, elect to be paid in South African currency, provided that the request is received at the offices of the transfer secretaries in Johannesburg or in the United Kingdom on or before February 2 1979.

The effective rate of non-resident shareholders' tax for the undermentioned companies is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Johannesburg and the United Kingdom.

Since the declaration in 1976 of Dividend No. 74 of 2.5 cents a share, no distributions have been made because of the possible need to apply surplus funds as a first priority towards the financing of a prolonged prospecting programme. However, operations for the recovery of gold from waste rock dumps and crushing plant slimes have proved to be more profitable than expected. The Company's cash balance is consequently well in excess of possible requirements during the next year or two in the event that it is decided to continue prospecting after the results of drilling borehole SRK 1 in the area to the south-west of the plant area are known. Accordingly, it is considered that no purpose will be served in retaining more than a small portion of the after-tax profit achieved in 1978.

Bearing in mind the imponderables regarding the life of the existing gold recovery operations and the question as to whether further costly prospecting work will be undertaken, the timing and level of future dividend declarations will depend on the circumstances prevailing from time to time.

Name of company (each of which is incorporated in the Republic of South Africa)	Dividend No.	Rate of dividend per share
The South African Land and Exploration Company Limited	75	25 cents
Vaal Reefs Exploration and Mining Company Limited	45	180 cents
Western Deep Levels Limited	34	82.5 cents

EAST DAGGAFONTEIN MINES LIMITED
The directors of East Daggafontein Mines Limited have decided not to declare a final dividend for the year ended December 31 1978 in view of the relatively low surplus and level of cash available.

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY LIMITED
The directors of The South African Land and Exploration Company Limited have declared a dividend of 25 cents a share in respect of the year ended December 31 1978, amounting to R1 650 000.

By order of the Boards
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: C. R. BULL
Divisional Secretary

Office of the United Kingdom Transfer Secretaries
Charter Consolidated Limited,
P.O. Box 102,
Charter House,
Park Street,
Ashford
Kent TN24 8EQ.

London Office:
40 Holborn Viaduct,
EC1P 1AJ.

January 19, 1979.

SOUTHVAAL HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
DIVIDEND FOR YEAR ENDED DECEMBER 31 1978

On January 18 1979 dividend No. 5 of 57 cents a share, in respect of the year ended December 31 1978 (1977: 21 cents), was declared in South African currency, payable to members registered in the books of the company at the close of business on February 2 1979.

[illegible]

By order of the Board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per: C. R. BULL
Divisional Secretary

Head Office:
44 Main Street,
Johannesburg 2001
(P.O. Box 61587 Marshalltown 2107)
Office of the United Kingdom Transfer Secretaries
Charter Consolidated Limited,
P.O. Box 102,
Charter House, Park Street,
Ashford, Kent TN24 8EQ.

London Office:
40 Holborn Viaduct,
EC1P 1AJ.

January 19 1979.

ALLMANNA SVENSKA ELECTRISKA AKTIEBOLAGET (ASEA)
$US 30,000,000 8½% Bonds 1986

Notice is hereby given to bondholders of the above loan that the amount redeemable on March 1, 1979, i.e. $US 2,000,000, was bought in the market.

Amount outstanding: $US 22,000,000.

Trustee: The Law Debenture Corporation Limited, London.

Principal Paying Agent: Kredietbank S.A. Luxembourgeoise Luxembourg

Luxembourg, January 22, 1979.

OLYMPUS OPTICAL COMPANY LTD.
(Olympus Kogaku Kogyo Kabushiki Kaisha)

S. G. Warburg & Co. Ltd., as Depositary HEREBY GIVES NOTICE that the 110th Ordinary General Meeting of Stockholders of the Company will be held in Tokyo, Japan on 30th January, 1979.

The following proposals are included in the Notice of the Meeting:—

(1) To approve the Report and Accounts for the 110th business [illegible]

BEARER DEPOSITARY RECEIPTS
representing Preferred Stock of
BAXTER-TRAVENOL
International Capital Corporation
1st Series Convertible Preferred Stock

A distribution of $0.27 per depositary Share, less any applicable taxes depending on the presentor's country of residence, will be payable on and after January 22, 1979 upon presentation of Coupon No. 14 at the Office of any of the following depositaries: [illegible]

PUBLIC NOTICES

[illegible]

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By Order of the Board
HOLLANDSE KOOPMANSBANK N.V.
Managers.
Sarphatistraat 14-A
Amsterdam.
19th January 1979.

BANQUE NATIONALE DE PARIS
Floating Rate Note Issue of $US70m., January, 1977/83

The rate of interest applicable for the six-month period beginning 21st January, 1979, and set by the reference agent is 12$\frac{1}{16}$% annually.

5½% TREASURY LOAN 1999
BONDS TO BEARER
5½% FUNDING LOAN 1982/84

The Bank of England give notice that new COUPON sheets for the above-mentioned Loans will be available on and after 15th March 1979 in exchange for TALONS. Listing forms for talons are obtainable from the Chief Accountant's Office (Bank Buildings), Bank of England, 2, Bank Buildings, Princes Street, London, EC2R 8EU and talons should be presented there for exchange by Authorised Depositaries, on behalf of the holders, from the 8th March 1979. Talons should not be sent through the post.

Authorised Depositaries are listed in the Bank of England's Notice EC1 and include most banks, stockbrokers and solicitors practising in the United Kingdom, the Channel Islands or the Isle of [illegible]

PERSONAL

[illegible]

Group Gold Mining Companies
(All companies are incorporated in the Republic of South Africa)
Transvaal

Reports of the directors for the quarter ended 31st December, 1978

VAAL REEFS
Vaal Reefs Exploration and Mining Company Limited

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended Dec. 1978	Quarter ended Sept. 1978	Year ended Dec. 1978
OPERATING RESULTS			
GOLD			
Tons milled	1 949 000	2 067 000	7 822 000
Yield—g/t	7.93	8.97	8.62
Gold produced—kg	15 460	18 543	67 438
Revenue per ton milled	R47.09	R51.47	R47.45
Cost per ton milled	R29.65	R28.14	R28.68
Profit per ton milled	R18.34	R23.33	R18.77
Revenue	R93 533 000	R106 387 000	R371 167 000
Cost	R57 786 000	R58 168 000	R224 345 000
Profit	R35 747 000	R48 219 000	R146 822 000
URANIUM OXIDE			
Tons treated	1 213 000	1 224 000	4 823 000
Yield—kg/t	0.22	0.23	0.22
Oxide produced—kg	261 260	281 430	1 059 851
FINANCIAL RESULTS			
Working profit—Gold	R35 747 000	R48 219 000	R146 822 000
Profit on sale of— Uranium Oxide	27 289 000	8 968 000	50 511 000
Sulphuric Acid	17 000	12 000	56 000
Net sundry revenue*	6 130 000	2 365 000	11 385 000
	69 183 000	57 564 000	208 774 000
Deduct: Royalty to Southvaal Holdings Limited—estimated	6 845 000	10 058 000	28 233 000
Profit before taxation and State's share of profit	62 338 000	47 506 000	180 541 000
Taxation and State's share of profit—estimated	14 209 000	11 624 000	37 189 000
Profit after tax and State's share—estimated	R48 129 000	R35 882 000	R143 352 000
Capital expenditure	R29 497 000	R22 828 000	R94 016 000
Loan Levies—estimated	R1 525 000	R1 183 000	R3 859 000
Dividend—Interim			R19 000 000
—Final			R34 200 000
Total			R53 200 000
CONSOLIDATED PROFIT Estimated consolidated profit after taxation and State's share of profit of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	R48 216 000	R35 891 000	R143 459 000

* Includes net revenue of R730 000 for the quarter (September 30 1978: R1 228 000) being the company's share of revenue less operational costs in terms of the tributing arrangements with Buffelsfontein Gold Mining Company Limited.

SHAFT SINKING No 9 shaft (South Lease Area)			
Advance—metres	371	50	480
Depth to date—metres	480	109	480

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Vaal reef Shaft area							
No. 1	3 273	384	22.8	84.82	1 934	2.34	53.46
No. 2	4 728	330	85.7	31.00	2 657	0.73	62.64
No. 3	882	78	14.7	55.92	822	1.52	22.39
No. 4	3 183	520	18.2	72.97	1 328	2.00	36.44
No. 5	6 585	794	42.5	33.34	1 417	0.94	39.96
No. 8	11 668	1 032	96.1	35.62	3 423	0.71	68.46
Quarter ended December 1978	30 319	3 138	57.6	38.91	2 241	0.91	52.35
Quarter ended September 1978	32 725	2 720	59.4	39.14	2 325	0.89	52.84
Year ended December 1978	125 386	11 418	55.4	41.99	2 326	0.98	54.07
"C" reef No. 8							
Quarter ended December 1978	19	8	21.0	127.33	2 674	3.98	62.52
Quarter ended September 1978	53	40	22.9	117.77	2 697	3.13	71.57
Year ended December 1978	110	48	22.6	119.16	2 693	3.10	70.06

ORE RESERVES (See note 1)

[illegible]

DIVIDENDS
Details of the dividends declared in respect of the year ended December 31 1978 are as follows:

[illegible]

CAPITAL EXPENDITURE
[illegible]

UNDERGROUND FIRE
[illegible]

PRODUCTION
[illegible]

VAAL REEFS SOUTH LEASE AREA
Included in the above are the following figures in respect of the South Lease area:

[illegible]

DEVELOPMENT—SOUTH LEASE AREA

[illegible]

Area under tribute to and developed by Buffelsfontein (not included in totals) Vaal reef	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Quarter ended December 1978	2 444	207	104.6	14.20	1 485	0.64	66.47
Quarter ended September 1978	2 314	318	124.2	13.87	1 722	0.51	63.20
Year ended December 1978	8 514	1 041	112.2	13.27	1 489	0.51	56.95

VAAL REEFS SOUTH LEASE AREA—Continued
ORE RESERVES—SOUTH LEASE AREA

	Based on gold price per kilogram	Tons	Stope width cm	Gold g/t	Gold cm.g/t	Uranium kg/t	Uranium cm.kg/t
July 31 1978	R4 610	4 506 000	116.1	18.60	2 159	0.48	56.18
	R5 030	4 616 000	116.7	18.32	2 138	0.48	55.78
	R5 450	4 687 000	117.1	18.15	2 125	0.48	56.23
September 30 1977	R3 300	3 931 000	1.8.8	16.55	1 966	0.47	56.07
	R3 900	4 041 000	119.2	16.33	1 946	0.47	56.02
	R4 500	4 091 000	119.3	16.21	1 934	0.47	56.17

CAPITAL EXPENDITURE
Orders placed and outstanding on capital contracts as at December 31 1978 totalled R9 430 000.

For and on behalf of the board
D. A. ETHEREDGE } Directors
W. R. LAWRIE }

January 19 1979.

SOUTHVAAL HOLDINGS
SOUTHVAAL HOLDINGS LIMITED

The attention of shareholders is directed to the report of Vaal Reefs Exploration and Mining Company Limited.

ELANDSRAND
Elandsrand Gold Mining Company Limited

ISSUED CAPITAL: 75 484 238 shares of 20 cents each

OPERATIONS
The mine came into production on December 19 1978. Pre-production gold produced from ore derived from reef development and shaft intersections amounted to 45.79 kilograms.
The revenue received from the sale of this gold was credited to mining assets.
Subsequent to commencing production, a further 3.75 kilograms were produced and sold.
The revenue from this sale was credited to income.

FINANCIAL RESULTS
The financial results for the quarter and the financial year ended December 31 1978 are as follows:

Working loss	R51 000
Less: sundry revenue	26 000
Net loss	R25 000

CAPITAL EXPENDITURE
Net expenditure on mining assets:

Quarter ended Dec. 1978	Quarter ended Sept. 1978	Year ended Dec. 1978
R26 862 000	R20 104 000	R73 743 000

Net expenditure on mining assets since the inception of the company to December 31 1978 was R172 388 000.
Orders placed and outstanding on capital contracts as at December 31 1978 totalled R22 949 000.
Total expenditure incurred prior to the commencement of production has been debited to mining assets and revenue earned during the period, including pre-production gold receipts as stated above, has been credited to mining assets.

SHAFT SINKING	Quarter ended Dec. 1978 (metres)	Quarter ended Sept. 1978 (metres)	Year ended Dec. 1978 (metres)
Man/Material Shaft			
Advance	38	37	194
Depth to date (final depth)	2 127	2 089	2 127
Station cutting	1 242	766	3 530
Orepass raiseboring	112	161	501
Rock/Ventilation Shaft			
Advance	—	—	35
Depth to date (final depth)	—	—	2 195
Station cutting	—	—	90

DEVELOPMENT

V.C.R.	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t
Quarter ended December 1978	6 436	390	65.4	29.54	1 932
Quarter ended September 1978	4 247	488	70.6	12.24	864
Year ended December 1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL YEAR END
[illegible]

For and on behalf of the board
D. A. ETHEREDGE } Directors
W. R. LAWRIE }

January 19 1979

EAST DAGGAFONTEIN
East Daggafontein Mines Limited

ISSUED CAPITAL: [illegible]

[illegible]

Dividend—Interim			R933 000
—Final			Nil
Total			R933 000

*Taxation over-provided

DIVIDENDS
The Directors have decided not to declare a final dividend in respect of the year ended December 31 1978 in view of the relatively low surplus and level of cash available.

For and on behalf of the board
D. A. ETHEREDGE } Directors
M. S. McCRUM }

January 19 1979

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTES

1. ORE RESERVES
Ore reserves were estimated at July 31 1978 (in previous years at September 30) at a composite pay limit based on a gold price of R4 610 a kilogram (1977: R3 300) and taking account of a uranium price which reflects the prices that the companies will receive for their contracted sales in 1979. Also shown are ore reserve tonnages estimated at pay limits based on gold prices of R5 030 and R5 450 a kilogram to indicate the sensitivity of the ore reserves to gold price variations. For these exercises the uranium price was held constant.

2. DEVELOPMENT
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

3. PUBLICATION OF PLANNED PRODUCTION AND CAPITAL EXPENDITURE IN ANNUAL AND QUARTERLY REPORTS
It has been decided that with effect from January 1 1979 forecasts of planned production and capital expenditure given in the annual reports will no longer also be published in the quarterly reports. However, significant changes to the forecasts will be referred to in the quarterly reports.

4. DIVIDENDS
Attention is directed to an announcement published in conjunction herewith, relating to the declaration on Thursday, January 18 1979, of final dividends for the year ended December 31 1978.

The Orange Free State Group's results appear on another page in this paper.

Copies of these reports will be available on request from the offices of the Transfer Secretaries:

Charter Consolidated Limited, P.O. Box 102, Charter House, Park Street, Ashford, Kent, TN24 8EQ.

LONDON OFFICE: 40 HOLBORN VIADUCT, EC1P 1AJ

S.A. LAND
The South African Land & Exploration Company Limited

ISSUED CAPITAL: 6 600 000 shares of 35 cents each

FINANCIAL RESULTS	Quarter ended Dec. 1978	Quarter ended Sept. 1978	Year ended Dec. 1978
Gold revenue	R2 207 000	R2 417 000	R7 603 000
Sale of salvaged equipment and scrap	10 000	42 000	301 000
Sale of capital items	264 000	28 000	351 000
Net sundry revenue	273 000	192 000	822 000
	2 754 000	2 679 000	9 077 000
Deduct: Operating and salvage costs	1 726 000	1 751 000	5 827 000
Surplus before taxation	1 028 000	928 000	3 250 000
Taxation—estimated	409 000	458 000	1 306 000
Surplus after taxation	R619 000	R470 000	R1 944 000
Prospecting expenditure	R42 000	R71 000	R299 000

OPERATIONS
The company continued treating waste rock and crushing-plant slimes from various locations on the East Rand. Mill throughput for the December quarter amounted to 293 000 tons (September quarter: 279 000 tons).

PROSPECTING
Drilling in borehole SRK 1, situated in the area south-west of the mine workings, is still encountering difficulties, and progress is very slow. The borehole failed to intersect the projected reef horizon at 3 044 metres because of a small fault but the hole is being deflected in an attempt to achieve an intersection.

Orders placed and outstanding as at December 31 1978 totalled R175 000.

DIVIDEND
The Directors have declared a dividend of 25 cents a share in respect of the year ended December 31 1978, amounting to R1 650 000, and attention is drawn to the dividend announcement published in conjunction herewith.

For and on behalf of the board
D. A. ETHEREDGE } Directors
M. S. McCRUM }

January 19 1979

WESTERN DEEP LEVELS
Western Deep Levels Limited

ISSUED CAPITAL: 25 000 000 shares of R2 each

	Quarter ended Dec. 1978	Quarter ended Sept. 1978	Year ended Dec. 1978
OPERATING RESULTS			
GOLD			
Tons milled	797 000	830 000	3 223 000
Yield—g/t	13.50	14.34	14.17
Gold produced—kg	10 758	11 906	45 657

[illegible]

ERGO
East Rand Gold and Uranium Company Limited

[illegible]

Net expenditure on mining assets since the inception of the company to December 31 1978 was R138 512 000 and orders placed and outstanding on capital contracts at that date totalled R1 814 000.

OPERATIONS
Progress has been made in overcoming engineering and operational problems which so far have prevented attainment of gold and acid production targets.

For and on behalf of the board
D. A. ETHEREDGE } Directors
M. S. McCRUM }

January 19 1979

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LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	12	½-year	250	3-7
Burnley (0282 25011)	12⅝	½-year	500	5-7
Knowsley (051 548 6555)	12½	½-year	1,000	6-10
Poole (02013 5151)	11¾	½-year	500	2-3
Poole (02013 5151)	12¼	½-year	500	5
Poole (02013 5151)	12½	½-year	500	6-7
Reading (0734 592337)	14¼	maturity	1,000	6-7
Redbridge (01-478 3020)	12	½-year	200	4-5
Sefton (051 922 4040)	12	½-year	2,000	3-7
Wrekin (0952 505051)	12½	½-year	1,000	5-10

هكذا من الأصل

Building and Civil Engineering

£10m venture in Ireland

THE CONSTRUCTION of the civil works for a marine terminal at Aughinish Island will be undertaken by Christiani and Nielsen and Collen Brothers (Dublin) under a £10m contract awarded by Alumina Contractors.

The two companies' joint venture covers the building of a jetty head 285 metres long by 40 metres wide. This will connect to the shore by a long approachway 850 metres long.

The contract marks the second stage in the construction of the £287m alumina plant being built for Aughinish Alumina. The joint venture partnership will be known as Christiani and Nielsen-Collen.

Upon completion, this marine terminal will be one of the largest ever undertaken in the Republic of Ireland. Jetty head will be formed of precast concrete deck supported by two metre diameter vertical tubular steel piles and will provide two berths.

Outer berth will accommodate vessels of up to 70,000 tons deadweight which will be used to carry bauxite to the island and carry alumina from it.

Second berth will be used for smaller vessels carrying fuel oils and liquid caustic soda to Aughinish for processing purposes and steam generation.

The jetty head will carry mechanical loaders and unloaders for transport of ore and alumina together with belt conveyors and pipe lines for the liquid products.

Also situated on the jetty head will be an office block and electrical substation and the 850 metre approachway (a precast concrete deck supported on steel box piles will carry a roadway, conveyor galleries and pipe lines.

A certain amount of dredging will be necessary to provide required depths of 14.3 metres and 12.2 metres for the outer and inner berths respectively. Altogether some 500 piles of various diameters will be driven, and 12,000 cubic metres of concrete will be cast.

Construction of the civil works is to be completed by the end of 1980 and further contracts will be awarded for the supply and erection of the ore loader and unloader, conveyors and pipe lines.

Mobilisation of the workforce begins next month and it will mean, at peak, the employment of a further 400 men on the island.

The total workforce on Aughinish will have reached 700 by the middle of this year, and the Wimpey-Hegarty site grading contract, which involves the removal of 1.8m cubic metres of rock, will be completed by next August.

Inverness shopping centre

THE GO-AHEAD for a £7m project, the new Eastgate Shopping Centre in Inverness, has now been given by the Highland Regional Council Planning Committee, and construction will begin in the spring of this year.

Building of the development will be undertaken by Gilbert Ash, Scotland (a Bovis company, part of P & O), and the developer is the Edinburgh-based Vivian Linacre. Hugh Martin and Partners is the architect for the scheme.

The company is no stranger to the area . . . in the north of Scotland it has completed major projects in Aberdeen, Wick, Glenrothes, Dornoch, Thurso, and Golspie.

Its experience in Inverness includes the completion of Millburn School, a refurbishment in the Queensgate, a distillery at Knockando, and work on the Longman Industrial Estate.

£11½m for R. M. Douglas

RECENTLY AWARDED contracts to R. M. Douglas Construction total £11½m and cover projects in the west Midlands, South Wales, the north west, North Wales, the north east and the home counties, and include work for industry, commerce, central and local government.

The largest job is valued at £2.5m, for a skill centre at Redditch for the Property Services Agency of the D.o.E. Work is starting immediately and the contract period is 17 months.

Also at £2.5m is a contract awarded by City Investments (Bridgend) for a shopping centre in Bridgend on which work has started and is due to be completed in 19 months.

Reconstruction work on the M5 motorway is the basis of a £1.6m contract by Hereford and Worcester County Council; due to be completed in June this year.

Other larger jobs include advance factories for the Welsh Development Agency at Shotton and Wrexham, in North Wales, and at Hendy in South Wales.

Apart from work on factories and offices throughout the UK, the total value of the contracts also includes alloy melting shop and scrap loading bay for BSC Stainless at Sheffield, telephone engineering centre at Crewe, and TA centre for the north of England.

Darlington supermarket

THE EAST STREET Shopping Development in Darlington is a £1.5m contract won by Higgs and Hill Northern. Work has started following the signing of an agreement between Darlington Borough Council and Star Northern Properties, now owned by the Leeds-based development company, Michael-Paul Management.

The scheme will provide a 55,000 sq ft supermarket on the ground floor with parking on the two storeys above for 350 cars. International Stores will operate the supermarket, and the car park will be run by National Car Parks.

The store is to be handed over at the end of October and it will be ready for trading by January, 1980.

The architect is Thompson Spencer Partnership and consulting engineer, Deakin Callard and Partners.

Laing gets London housing job

REFURBISHING of properties on a pre-war London housing estate will give close on 200 families greatly improved living conditions.

John Laing's southern region will carry out the task under a £1.1m contract from the London Borough of Southwark The two four-storey blocks involved are in Bermondsey and all 187 flats in them will have new gas and plumbing systems as well as complete rewiring.

For the Anglian Water Authority the company is building a £400,000 reinforced concrete sewage pumping station at Stamford-le-Hope, Essex.

For a total of £200,000 a 770,000-gallon-capacity reservoir is to be built for the Property Services Agency at the Royal Navy Armaments Depot, Coulport, Dumbartonshire.

Beside the seaside

A TERMINAL building at Brighton Marina for Jetlink Ferries will cost £200,000 under a contract awarded to Lesser Building Systems of Verwood Dorset.

The two-storey building will utilise the company's Low Maintenance PB4 Building System and will provide Jetlink with passenger, customs and immigration facilities for its Jetfoil service to Dieppe which is scheduled to commence next May.

A quay in Cornwall

NEW MOORING and landing facilities for fishing boats at Newlyn Harbour, Cornwall, are to be built under a £1m contract awarded by the Harbour Commissioners to E. Thomas and Co. of Ponsanooth and Newton Abbot, part of the Mowlem Group.

The work includes construction of an in situ reinforced concrete jetty and quay, 820 ft long by 41 ft wide; the reclamation of land at the back and the provision of a lorry and car park.

Due for completion in summer 1980, the development will improve the currently congested facilities at Newlyn, especially in winter when it is used as the Cornish base for landing mackerel. A new fish market is a possible development on the quay after it is completed.

IN BRIEF

- Contract for a new office building valued at £1.1m has gone to Walter Lawrence and Son who will carry out the work on the Perivale Industrial Estate, Greenford, for Danfoss (London). It is due for completion at the end of this year.

- R. Fox and Sons has won a contract to undertake high grade spray finishing at The Shell Centre, London SE1. The work will cover the main entrance and large side windows of the tower block facing the river.

- Three piling contracts, with a total value of about £180,000, have been awarded to West's Piling and Construction Company, of Colnbrook, Slough, part of the WGI engineering group. The piles are to be installed as foundations for a bus garage at Thamesmead, for a cold store extension at Kings Lynn and housing at Hartlepool.

£5½m. warehouse and offices

THE CONTRACT for the design and construction of warehouses and offices for the publishing division of Cambridge University Press—total cost of the work is around £5.5m—has been awarded to IDC of Stratford-upon-Avon.

Printing and publishing house of the University of Cambridge, the C.U.P. complements and extends the research and teaching activities of the University by making available, world-wide, an extensive range of academic and educational books, learned journals, bibles, prayer books and examination papers.

The new complex will be named after the Duke of Edinburgh—accordingly, called the Edinburgh Building.

A single unitary structure, the building will bring together on to one site all the publishing activities of the Press in the U.K, apart from a small London office. It will consist of two warehouses of different heights for the bulk storage, packing and despatch of books, and an office block to house 300 publishing staff. The six-acre site is adjacent to the University Printing House which accommodates the printing division of the Press.

The high warehouse, for longer-term storage of up to 15m books, will have an area of 3,800 square metres, and storage racking to a height of 13 metres. The lower single-storey warehouse will be used for short-term storage and have an area of 4,200 square metres.

With an area of 5,927 square metres, the four-storey office block will provide a working environment specially designed for editorial and publishing staff.

A number of "pods" are to extend outwards from a main central open-plan area on each of the upper floors of the building and give access to the landscaped terraces between them.

External cladding, it is said, will consist of brickwork to a very high standard, and attractive landscaping features include the extensive planting of trees and shrubs, and an ornamental pool near the main entrance.

Work has started on site and the project will be completed in two phases—warehouses this autumn and the office block in the summer of next year.

£2½m leisure centre

MARPLES Ridgway Building has been awarded the Pimlico Leisure Centre in Westminster, London, on a contract valued at £2.5m.

The contract is due for completion at the end of 1980 and will involve the construction and completion of a rectangular building housing, at one end, a 25 metre main swimming pool, a diving pool with a 5 metre high board, and a 16.66 metre by 7 metre learners pool designed to the Amateur Swimming Association's recommendations. At the other end of the building will be a sports hall, a conditioning room, and four squash courts.

The two areas are to be separated by a central area with a communal and administrative section, and facilities for public viewing. The height of the building was determined by the requirements of the various sports activities, particularly the 5-metre high diving board.

Good start by Cubitts

OVER 90 homes of traditional construction are to be built by Cubitts for Bristol City Council under a £984,000 contract.

This latest contract makes an encouraging start for Cubitts and bring the total value of new work gained since the start of this year to £2m.

The new two-storey homes, providing accommodation in flat and houses, are due for completion in autumn 1980. John Kendall Kingscott and Partners are the architects and Faithful and Gould the quantity surveyors.

Cubitts is also to refurbish two barrack blocks at RAF Chivenor, North Devon, under a £120,000 contract from the Property Services Agency and in the meantime with a contract for a block of six 5,000 q ft advance factories already under way at the Welsh Development Agency's Tafarnaubach estate the company has successfully tendered for four more there of 10,000 sq ft each. Value of the work on this estate is over £1m.

Hat on a hot tin roof

INSTABOND is a heavy-duty self-adhesive waterproofing membrane developed by D. Anderson and Son.

Intended for warm climates, it consists of a glass-fibre core thickly coated with a synthetic rubber-reinforced bitumen. A polyester foil facing is laminated to one side.

Instabond can be used on primed concrete, masonry etc., for tanking, roof waterproofing, as a damp-proof membrane in solid floors and vertically or horizontally for any related constructional use. For exposed roof finishes, there is a white grade which has a white mineral granular surface and a glass-fibre core. This is also available in 300 mm wide pre-cut rolls as angle flashing strip which is used in conjunction with both products for all exposed detail work.

A siliconised release paper backing is applied during manufacture to the underside of both membranes and is progressively removed during application.

Instabond easily recovers from the normal minor stresses induced by structural expansion and contraction, screed shrinkage etc., caused by temperature fluctuations. The chemical composition, allied to its high bond strength means that it is self-sealing around small puncture points.

D. Anderson and Son, Stretford, Manchester M32 0YL. el. 061-865 4444.

Homes in Sunderland

WORK WILL start in the next few weeks on a new £2½m-plus project to build about 150 houses for owner-occupation at the Chapel Garth development at Sunderland, by Tyneside-based housebuilding group, William Leech.

The company acquired the site, in the Doxford Park area, from the local authority, where it will build seven different types of homes at prices from about £17,500.

In the Albany Village area of nearby Washington, the same builder has started work on roads and sewers for a development in excess of £1m. This will provide at least four different types of owner-occupier homes in the £16,500 to £20,000 range, one type of which is a new three-bedroomed semi-detached which the company is introducing for the first time to the north east.

Agriculture in Togo

A SCHEME involving the development of almost 7,400 acres of land for irrigation and crops, and another 25,000 acres of extensive pasturage, is the responsibility of Swiss company, Universal Engineering and Finance Corporation(affiliated to the Swiss Bank Corporation), which has just begun work on the agricultural development of the Namiele basin in the Republic of Togo in West Africa.

Detailed plans, execution of the work, supply of equipment, training of farmers and technicians in Togo—as well as management of the whole scheme which will take at least five years to complete—are all the responsibility of the Swiss company.

It has negotiated this scheme, estimated at several tens of millions of Swiss francs, in conjunction with the Swiss company Industrie et Developpement SA (INDEVSA), and is also responsible for handling the financing.

Wiltshier gets variety of work

LATEST contracts awarded to Wiltshier International Interior Contractors of Canterbury, Kent, which total nearly £850,000, include a £222,000 refurbishing job at the Palm Beach Casino in Berkeley Street, London, W1 for Coral Casinos. Architects are Garnett Cloughley Blakemore and Associates.

In Duke Street, London W1, Wiltshier is converting a shop and office into an art gallery for David Grob Fine Arts. The designer for this £103,000 contract is Robin Samuel. Wiltshier is also modernising a shop in Romford, Essex, for D. Russell.

Access to high spots

THE NEW Hy-Ryder MZ.40 Manlift work platform is designed safely to lift 500 lb (226.8kg) of men and materials rapidly into inaccessible areas 40 feet (12.2m) above ground level, eliminating all conventional need for ladder and scaffold access.

This self-propelled hydraulic zoom work platform requires no outriggers on an outreach up to 23 feet (7m) and can be driven, steered, raised, lowered, swung and extended with complete precision by the men working from the 30 x 60 inch (76cm x 1.5m) platform itself.

The unit is fitted with plug-in control panels as standard, incorporates facilities for a 350 degree boom rotation and has three speeds forward plus reverse.

Hy-Ryder, Manlift House, Crabtree Manorway, Belvedere, Kent, DA17 6AR. Erith 47721.

Concrete pontoon study

AT THE REQUEST of Cockerill Yards, Hoboken, NV, Belgium, Lloyd's Register of Shipping has carried out a feasibility study of a 130 metre-long pre-stressed reinforced concrete pontoon on which it is intended to install an 8,000 tonne process plant.

The assistance of the advisory and projects group of Lloyd's Register's hull structures department was requested for the structural design of the pontoon. This involved the formulation of the design basis and the evaluation of the design loads. Other aspects which Lloyd's Register considered were the determination of structural response characteristics, an evaluation of the necessary prestressing forces, a preliminary structural design and a weight estimate.

During the evaluation of static and environmental loads, special attention was paid to the initial delivery voyage conditions which, for the purpose of the study, were taken to involve an all-seasons open-sea tow.

Lloyd's Register of Shipping on 01-709 9166.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Nicholas Leslie meets the man who helped launch a small Buckinghamshire water treatment company on a new wave of growth

How Elga struck the right note for expansion

"I WAS sunbathing in my garden one day when this chap came riding up on a horse, looked over my hedge and asked me if I would like to go and run his company. I said, 'No thank you'."

That might have been the end of the matter, but for David Moreau it turned out to be the rather unlikely beginning of a relationship which launched a small Buckinghamshire water treatment company on a new wave of growth.

Though still of modest stature compared with such major competitors as the Portals Group, with its annual water treatment sales of over £58m, Elga Products' 1977-78 turnover of £2.5m compares very favourably with the £400,000 it achieved in 1972, the year David Moreau joined the company.

Persisted

Moreau's initial reluctance to join Elga stemmed from the fact that he already had a number of business interests which were fully occupying his time. But Walter Lorch—the horseman and founder of Elga—persisted. He knew of Moreau's reputation and they had already met when Moreau attended an Elga "Leadership Lunch," an annual event held by the company for the past 24 years.

Several factors swayed Moreau to change his mind. In light vein, but nevertheless an important consideration, was the fact that Elga is based at Lane End, a beautiful area in the Chiltern Hills, near High Wycombe—"and there are not many companies in Chiltern villages."

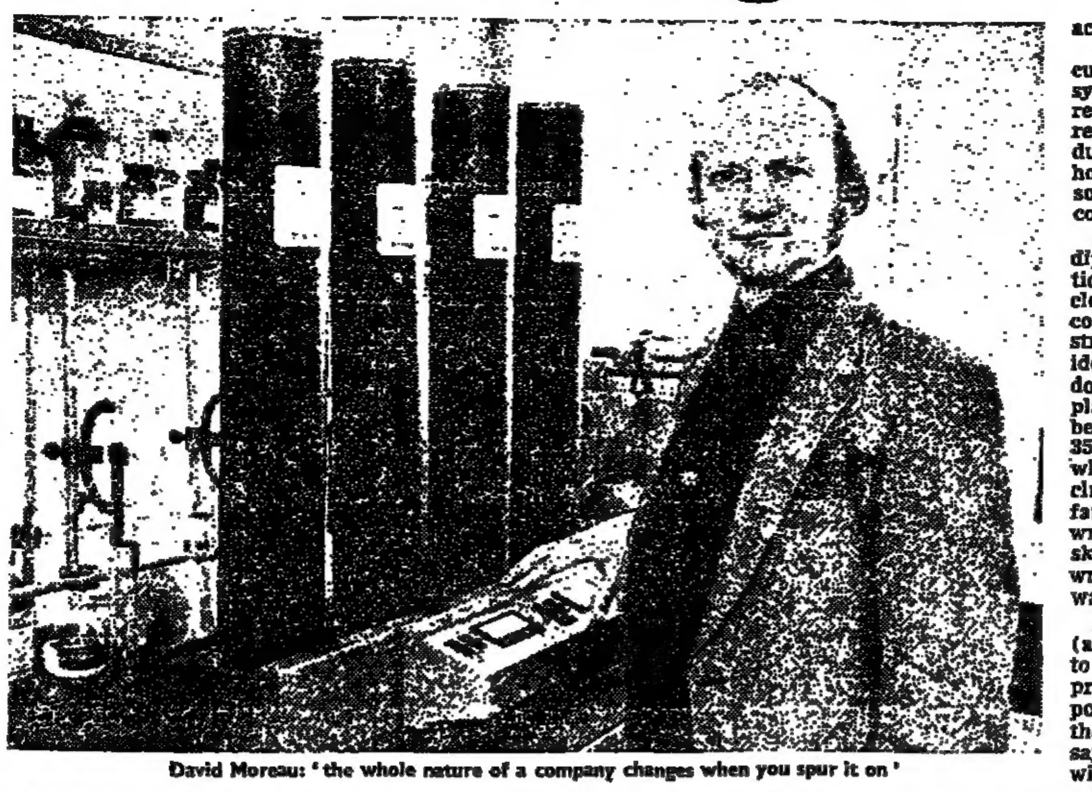
But there were also some rather weighty reasons which now appear particularly significant in the context of the recurring grouse among smaller businessmen that they are hamstrung by Government legislation.

Moreau's background is essentially entrepreneurial. After gaining degrees in both law and modern languages, he spent most of his formative management years in the pharmaceuticals industry—"medicine is my hobby," he claims.

Though he gained his early experience in a large organisation—Beecham—it was during the period when the group was only just establishing its ethical pharmaceuticals activities. Moreau was involved in setting up new operations, in particular in Germany and Belgium, and therefore faced the problems and opportunities associated more generally with smaller businesses.

In 1965 Moreau left Beecham to set up a UK subsidiary of Syntex Corporation, the U.S. pharmaceuticals group. With £2m from the parent company Moreau established a business at Maidenhead, in Berkshire. This is now making an annual turnover in excess of £10m.

Moreau had been headhunted both to that job and again in 1970, to Weddel Pharmaceuticals, part of the Vestry shipping and meat trading group, where he became general manager. Here, he masterminded an expansion programme and construction of a new factory. Two years later he moved to Elga, though he remains as non-executive chairman of Weddel.



David Moreau: 'the whole nature of a company changes when you spur it on'

The serious reason for his move was that he was getting fed up with pharmaceuticals because of what he calls the "creeping bureaucracy" in the industry. He felt the golden era of pharmaceuticals had ended; costs were rising so rapidly that it was taking ten years and at least $15m of investment to produce each new drug. And though he appreciates the need for safety, he was disillusioned with having to "wrangle with governments all over the world."

Elga, he felt, presented him with the opportunity of running a company in a new industry, but nevertheless one with factors common to phamaceuticals. For example, it involved a pure product and was a multi-disciplinary business.

Walter Lorch's own objective in acquiring Moreau was to enable him to retire from Elga. He had founded the company in 1937 to manufacture electrical and gas components for domestic appliances. In 1954 he moved into water purification, after encountering the problems associated with tap water silting up steam irons and other appliances. He realised the potential this presented in terms of equipment to prevent and remove the action of contaminants.

Today, Elga makes both custom-designed and standard systems using de-ionisation and reverse osmosis techniques to remove contaminants. Its products are used in laboratories, hospitals and such industries as soft drinks, paints and cosmetics.

Although Moreau is extremely diplomatic about his early relations with Lorch, there were clearly some problems to overcome. After all, both were strong characters with their own ideas on how things should be done. And though Lorch was planning to retire, it would still be a wrench to withdraw after 35 years, even if you do have a whole host of other interests including vintage cars, a stud farm, skiing and writing; he has written a book on all types of ski mobiles and is currently writing an encyclopaedia on water treatment plants.

A good insight into the man (and perhaps one appropriate to most strong-minded entrepreneurs) is the caption to a portrait of Lorch that hangs at the company's headquarters. It says: "If at first you don't agree with me, try try try again."

Eventually the two men came to understand one another and Moreau found himself left to his own devices to develop a company which had a strong technical base, but which in terms of sales had remained on a plateau for several years.

His immediate answer to this situation seems simple, though it is one often either rejected by companies or handled badly. He beefed up the marketing effort, by employing better presentation of products, more colour in advertising and publicity material, and generally tried to put over an image of quality products and service.

Somewhat inevitably, there were casualties in the ranks of management. Moreau's explanation of this is perhaps best summed up in his statement that "the whole nature of a company changes when you spur it on. So you need young people, or older people with considerable flexibility."

Relishes

Many of the current management have come up through the ranks and Moreau clearly relishes the idea of people taking this path. "What I like is to take somebody who I feel has a particular talent and give him a chance to use it," he says. Thus, a former technical representative is now Elga's technical director and a former secretary has taken charge of publicity, with a budget of £150,000 a year.

A shift in product mix has also taken place. Instead of custom-designed products accounting for virtually all of the business, a greater number of more or less standard products has been introduced, allowing an increased element of less costly production line manufacture.

Research is aimed largely at making technical advances, since no "fundamentally new principle" seems particularly likely at the present time in the water purification field, says Moreau. He sees, for example, a composite membrane being developed in the reverse-osmosis field which will result in less pre-treatment being needed, thus saving costs.

Another research area is concerned with the way resins used in water treatment tend to get fouled up by organic materials, such as leaves. A "scavanger" resin to rot these organisms, so preventing fouling, would save considerable costs since cleaning resins is an expensive process.

Clearly, Elga's competitors must be thinking along similar lines, so what does Moreau think of the competition? "I am glad the market is well populated," he says. "We are confident in ourselves and do not see any serious problems." Portals Group, Elga's main competitor, has without doubt more muscle overall but Moreau maintains that since the constituent companies of Portals with which Elga competes directly—such as Permutit and Houseman—are of comparable size to his company, he is not particularly worried.

In recent years Elga has increased its advertising effort, particularly in specialist magazines. From this, over 4,000 inquiries are received each year, a good many being converted into orders, says Moreau. Because of this Elga does not have a large number of salesmen. Instead, it concentrates on maintaining a strong force of engineers for commissioning and maintaining plant.

Of the progress the company has made, one factor pleases Moreau above all else. Turnover per employee has gone up since he joined from £7,000 to nearly £18,000.

The dangers of going for increased market share

BY CHRISTOPHER LORENZ

SIR Raymond Pennock, deputy chairman of ICI describes as "dangerous" the widely accepted view that the only way for a company to achieve growth in a low growth economy is to increase its market share.

The attitude that "market share must be objective number one" has been fostered through years of practice by leading multinational companies and by advice from management consultants. It was supported repeatedly by prominent speakers from all over Europe at a seminar in Brussels last week on "Strategies for the Early Eighties."

The proper solution for companies to adopt to the problem of low growth is "a much more sensible pricing policy," Sir Raymond told bankers and investment analysts at the seminar, organised by Eurofinance.

Sir Raymond intensified his company's earlier attacks on its main European competitors for their "myopic policy" of cutting prices to increase their market share. Since none of the majors was prepared to share market share, they succeeded only in making losses.

In spite of the general decline in economic growth, introduction of innovative products remained a potential source of growth in the chemical industry, Sir Raymond said, citing new ICI products in herbicides, fungicides, biocides, dyestuffs, inorganic fibres, and especially pharmaceuticals and feedstuffs.

He said that ICI's capital expenditure in 1978 of $1.2bn may prove to have been higher than other world majors, including Dow, Bayer, BASF, Dupont and Hoechst.

Questioned after his speech, Sir Raymond admitted that there were circumstances and industries where price cutting during a recession could be a profitable policy. In electronics, for example, Texas Instruments has repeatedly carried several years of losses in particular product sectors—including calculators and digital watches—and has emerged with a greater market share and a more stable business.

But Sir Raymond said he doubted whether such a strategy could be successfully applied to more mature products and industries, especially if the industry's structure were characterised by several manufacturers of relatively equal strength, all of them unwilling to cede market share.

This is not the first time ICI has attacked its main European competitors for drastic price cutting in depressed sectors of the market — pre-eminently synthetic fibres. The group has, to quote Sir Raymond, been trying "to maintain prices at levels which reward existing assets" even if volume growth falls.

"In the UK, in spite of its lower growth, we have met with some success by maintaining prices at the expense of volume," he said.

"In the U.S. also, the more sophisticated approach to pricing policies during times of over-capacity and low growth has led to a higher profit performance." This was a reference to the recent policy of the U.S. majors in avoiding price cutting.

In such circumstances, "competition has rested more on service and quality of products," Sir Raymond said.

Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● AUTOMATION

No need for the human hand

ROBOTS designed and made in Japan by Fujitsu Fanuc are to be marketed by Hydro Machine Tools, of Halstead, Essex (a member of the 600 Group), in the UK at prices ranging from £25,000 to £60,000.

Basically, the machines are programmed pick-and-place mechanical arms and hands, and will complement the company's existing numerically controlled lathes, making it possible to produce turned components without human attention.

One of the units, Sirobot 2, has five basic movements and can move bodily up and down, rotate on its own axis, move backwards and forwards horizontally, while the picking hand is able to twist or tilt.

As a result, the robot can supply five associated metal removal machines placed around it with stock metal and remove the finished components to off-loading stations.

Introducing the new units, 600 Group chairman Sir Jack Wellings said that although considerable initial effort will be needed in the UK to make such systems acceptable; their ultimate use was "absolutely inevitable" and the company was determined to be in at the early stages of growth.

There are probably under 100 such installations in the UK at the moment, compared with an estimated 20,000 to 25,000 in Japan—a figure described by Sir Jack as "frightening."

● INSTRUMENTS

Flow tested by sound

ULTRASONIC level detector equipment which can also be used for flow measurement in open channels has been introduced by Robertshaw Skil of Skelmersdale, Lancashire.

The new instrument, model 165, has been developed for difficult situations where accurate readings are often difficult to obtain with conventional equipment. It will find particular application in the sewerage and process industries and relies on the precise measurement of the time required for a transmitted ultrasonic pulse to travel to the surface of the process medium and back to the instrument. This time is directly proportional to the height of the unit above the surface and calibration is a simple operation.

The ultrasonic detector features a highly directional beam pattern of wide span and it can be mounted up to 1,000 ft away from the level to be measured. Its internal circuitry shapes the signal to the pattern required for a specific situation. For example, linear characterisation is for level applications and flow conversion measurement in flumes or weirs.

In addition, the signal is converted to a digital binary signal for extreme resolution and repeatability. Output indication and loss of echo indication are standard features as is air path temperature compensation.

Optional components which can be fitted internally to the model 165 include integrators, totalisers, alarm contacts and an inkless, strip chart recorder.

Robertshaw Skil, Greenhey Place, East Gillibrands, Skelmersdale WN8 9SB.

Temperature indicator

INTRODUCED INTO the UK from the U.S. by British Rototherm is hand-held digital thermometer which makes use of a microprocessor to deal with linearisation of sensor characteristics and to control the necessary analogue to digital conversion.

Four models are available covering a total range of −35 to +149 deg C and each is housed in a high impact aluminium case on the panel of which is mounted an on-off button, LED display in 8 mm numerals and a probe socket. The display can be provided in Fahrenheit or Centigrade.

More than two dozen interchangeable probe heads are available to allow considerable versatility of temperature measurement in liquids, gases, grains, chemicals and other industrial thermal environments.

The company is at Kenfig Industrial Estate, Margam, Port Talbot, West Glamorgan SA13 2PW (0656 740551).

● QUALITY CONTROL

Close check on big pipes

VITAL circumferential welds in the southern section of an 800 mile long 56 inch gas pipe line that will take gas from Iran into Russia will be ultrasonically tested by a complex automated system made by MatEval NDT Company of Newton-le-Willows. Similar units have already been supplied to Russia for the northern section.

MatEval equipment will be responsible for most of the more advanced testing on the project; including mobile laboratories and workshops, busines won by the company totals over £1.5m with the prospect, says managing director Harry Jackson, "of more to come" when further extensions are constructed.

MatEval has supplied the latest machine to Saipem SpA of Milan which is responsible for construction of the southern section.

The unit consists essentially of an inner ring in two halves which is clamped round the pipe and a second, slewing ring which carries the testing head and moves round the circumference, testing a weld in about three minutes.

In operation two sets of four ultrasonic probes mounted on the moving head are positioned one each side of the weld line; the probes are in the same straight line, parallel to the pipe axis. Each of the probes is fired in turn in a pulse echo mode, yielding data about longitudinal defects along the main body and root of the weld.

The eight elements can also be operated in a transmit/receive mode, each crystal in turn being used as a transmitter while the others receive—a technique particularly intended to detect vertical planar defects and lack of sidewall fusion.

MatEval is part of BIX (UK) which is at Commerce Way, Leighton Buzzard, Bedfordshire (0525 377206).

● RETAILING

IBM point-of-sale equipment

RETAIL STORE units to perform all normal cash register operations and provide an economical store-and-forward data collection system for both individual and multiple stores have been announced by the General Systems Division of IBM United Kingdom, for shipment to start at the end of the year.

The IBM 5260 Retail Store System consists of two point of sale terminals: the IBM 5265 and the IBM 5266. These terminals may be used singly or in groups and can offer functions such as price look-up files and negative credit checking.

The 5265 has a small floppy disc on which all sales transaction details are stored. The 5266 is a satellite terminal without disc. Up to 10 5266s may be attached to a 5265 in order to share its disc control instructions and data storage.

Three new retail application programs have also been announced on the IBM System/34 computer to support the 5260. These are: Data Preparation, Sales Audit and Merchandise Control.

The programs can be used to process data from small discs into a range of management reports, including details such as stock levels, gross margins, sales by department or store, and details of fast or slow-moving items. They can also be used to pass edited data to other programs running in the computer, such as sales ledger and payroll. The Data Preparation Program is also available on both System/32 and System 38 computers.

IBM, Wigmore Street, London W1H 0AB. 01-935 6600.

● PROCESSING

Sensitive detectors

FAST RESPONSE uncooled infra-red detectors for industrial high speed infra-red imaging and detection from Plessey are for applications such as fast feedback control of laser cutting, welding and engraving installations.

The wide spectral response and high detectivity of these pyroelectric detectors is ideal for many general purpose infra-red laser studies, where the detection of low power fast infra-red pulse chains is required.

These new devices, designated the PLT 411F series, have as detector element a single lithium tantalate crystal 1 mm x 1 mm which has high voltage responsivity, but for maximum mean power handling capability a pyroelectric ceramic element can be offered.

Commercial enquiries to Plessey Optoelectronics and Microwave Limited, Wood Burcote Way, Towcester, Northants NN12 7JN. Towcester (0327) 51871.

● HANDLING

Moves materials around

FOLLOWING success of the equipment in office environments, D. D. Lamson is to start marketing on electric car transporter system to manufacturing industry, firing its first shots at electronic equipment makers.

The move follows trials in its own factory at Gosport and discussions with a number of electronics companies.

Track for the system can be floor, wall or ceiling-mounted or might for example pass between two rows of work benches. Each car picks up a 24 V DC supply from the track which in turn is fed from power units placed at intervals. Payload of the vehicles is eight kilogrammes and the space for the load is 360 x 120 x 295 mm.

The cars can travel around bends and up vertical rises and can change from track to track at transfer points. They can be programmed to stop at any point along the route, moving on after a predetermined time or at the press of a button. Horizontal speed is six metres/sec, vertical speed four metres/sec.

More from Harbour Road, Gosport, Hampshire (07017 87311).

● CONFERENCE

Electronics in business

FOLLOWING the success of its Post Office Telecommunications symposium last September which was attended by 200 people, Information Studies has organised a repeat of the event on January 29-30 and has announced a number of kindred meetings.

These will cover data communications in retailing, electronic message services, productivity via automation, the management of word processing, a user perspective of telecommunications, and an ICL view of communications-based computer systems.

The meetings will take place in the above order between mid-March and the end of May, and more details about them can be obtained from ISL at Lower Road, Chorleywood, Rickmansworth, Hertfordshire (09278 4344).

● WELDING

Handling problem solved

A TRADITIONAL cause of frustration in the field of pipe fitting and welding is the problem of aligning the fitting to the pipe. Further problems are encountered in handling the pipe, in fitting, and attempting to achieve a reasonable degree of accuracy in line-up prior to welding.

One example of the constant headaches ensuing from this exercise is the recent story of two welding teams of four men a side which took four and a half days on a North Sea oil platform attempting maintenance operations to a 24 inch riser pipe . . . without success.

The exercise was, however, completed within one and a half hours, after engineer Keith Alderton had arrived and implemented the new-to-this-country Dearman system, specially flown over from Houston, U.S.

Englishman Alderton had worked for an American oil company in the U.S. and was familiar with the new pipe-welding technique, developed there by veteran pipe-fitter Tim Dearman. The latter had suffered over a quarter of a century of constant frustration in the industry, and had finally come up with a jackscrew system which, apart from eliminating the need for lugs and wedges, meant that one simple clamp could take the place of a whole range of individual pipe clamps.

Alderton is the sales engineer of a company (part of the Avon group), ALH Systems, Westbury, Wiltshire, which will now distribute the system throughout the UK and Europe.

The method employs a series of different tools including the hold-down clamp, chain type welding clamp, levelling and support device, rim-type reforming clamp and double jackscrew clamp.

A chain, bracket, hook and fine adjustment mechanism comprise the hold-down clamp which holds a pipe stationary while preparing for a fit-up. The pipe welding clamp is adjustable for over 100 fit-ups on a variety of pipe sizes and fittings, including valves and is said to be the most versatile clamp in the piping industry, ideal for pipes from one inch to 54 inches.

Consisting of a main block, fine adjustment mechanism, jack bars and screws, spacing screws and a chain, it is secured to the pipe by pulling the slack on the chain and turning the fine adjustment crank—the pipe is then ready to accept the fitting. Jack bars may be added or removed as required.

As the fitting is supported by the levelling and supporting device, which is secured to the main block of the clamp by a chain, it is safely held, an undisputable asset to the fitter and welder in a normally dangerous operation.

The levelling and supporting device allows a precise opening and closing of the gap at the top between fitting and pipe and, by turning the fine adjustment crank, the fitting can be faced to the pipe. Once the fitting is squared and spaced, the top is tack welded, then the bottom, followed by the sides. Clamps and devices are removed and the weld completed.

More on 0373 823814.

● ELECTRONICS

Checks the dimensions

AVAILABLE from Machsize is a 250 mm (10 inch) vertical display column using 100 plug-in light emitting diode lamps, one of which lights up according to dimensions sensed by an associated transducer. Resolution is one per cent and the display is flicker-free.

Full scale deflection is in six ranges from 0.025 mm (0.001 inch) to 0.5 mm (0.020 inch), different scales being applied to give readings in metric or imperial units.

Ranges are normally changed by altering jump-plug positions on the single printed circuit board used in the device, but for major function changes the complete board is replaced. Gauges can be stacked sideways to give up to five readings at the same time.

Red or green LEDs can be used, or a mixture out of tolerance readings could be red to make them unmistakable.

Options include grading facilities with, say, five lamps showing a central, two high and two low bands. Alternatively, the unit can be made to ignore changes in reading, memorising only maximum and minimum, for concentricity checks.

Another option is a signal mixing unit based on a differential amplifier for adding or subtracting two or more readings—useful for checking taper.

Full provision is made for interfacing the gauge with other electronic equipment. An analogue processing unit can be installed for example and used for the direct drive of chart recorders, digital meters and analogue to digital data systems.

The company is also in a position to supply completely tooled machines equipped with a battery of gauges for checking several component dimensions and other parameters at the same time.

Machsize is at Clarendon Avenue, Leamington Spa, Warwickshire (0926 312542).

● DATA PROCESSES

Analyses factory operations

DESIGNED OVER a period of eight years by production experts, with the intention of accurately simulating a factory, EBS 11 differs from other systems in that it operates from an actual model of factory conditions.

It takes into account what operations have been done on the factory floor, the total operations involved for each order, and the manufacturing stage each has reached. Each machine operation is identified; as well as the grade of operator available at each stage, and the system makes continual use of available flexibility in the allocation of machines and people to the current mix of work to obtain optimum results.

Each work centre is analysed and the resource allocator routes the work in accordance with the centres required and whether or not the job can be done on all machines in that work centre or only certain units.

EBS 11 is unique in having a resource allocator which takes account of all these factors as a matter of course.

Apart from the technical advantages of EBS 11, a further factor is its low price.

Four systems are presently installed—at Metal Box, GEC, Pye, and Drayton Controls.

Samleco, Olympic House, 63, Woodside Road, Amersham, Bucks. HP6 6AA. (02403 21825).

Computers for China

CLAIMING TO be a leader in the difficult business of exporting technology to China, and among the first companies to take advantage of the opening up of trade with this country, is London-based Abacus Computers, 62 New Cavendish Street, London W1V 5PH (01-734 2907).

The Chinese have just taken delivery in Peking of two of the company's medium-sized com-

LOMBARD

That mysterious pay data bank

BY SAMUEL BRITTAN

MANY PEOPLE must have been puzzled to see at the end of the first week of January a report that the CBI Data Bank was claiming that most settlements were in keeping with the Government's pay guidelines. The fact remains that if analysed properly the Data Bank is probably the best available source of information on the current pay rise outside Government sources.

The Data Bank was set up in 1977 at a time of Stage Three. Over 8 million workers were covered last year; and enquiries have not been confined to CBI members. The Bank had quite a success in assessing the movement of wages in Stage Three.

The present pay round is much more difficult to assess. This is both because the 5 per cent norm is much further below the going rate than the 10 per cent one of Stage Three, and because negotiators have deliberately delayed settling. The CBI's error up to early January was that it tried too hard to present the figures in a way which would help the Government's 5 per cent pay guidelines.

Fortunately the CBI is now moving to a more open policy. Its latest figures cover 1.6m workers who have so far settled; and the lag in reporting can be anything from a few days to a month. The oil tanker drivers, for instance, are still excluded. *The CBI has now dropped the stress on compliance with the official guidelines and is concentrating more on "telling it like it is."*

The outstanding fact is that about 1.3m of the workers who have so far settled are covered by Wages Council awards or "national agreements." Both set minimum rather than actual rates. Indeed over two-fifths of all employees, who have so far settled have received well above 5 per cent, but have used the escape clauses of the official White Paper, including the one for low pay.

The nub of the CBI information relates to 512 settlements covering over 300,000 employees of private sector companies. Some 55 per cent of these employees settled at 5 per cent or less. Another 10 per cent settled at between 5 and 10 per cent; from this it does not take a mathematical genius to work out that about 35 per cent of those in private sector settlements received above 10 per cent—probably all 10 to 15 per cent.

The CBI excludes so-called "self-financing productivity deals" from its summarised totals. But it does say that about one-fifth of those covered by settlements in the 5-10 per cent range and about two-fifths of those receiving 5 per cent obtained also a productivity element. This is said to be worth on average about 5 per cent. An approximate figure suggests a going rate of settlement so far of about 8 to 10 per cent, depending on whether or not productivity deals are included.

CBI members are reporting expectations of larger pay rises than they were a few weeks ago. But the main reasons given are not the removal of sanctions, which has so infuriated the Whitehall establishment, as the publicity given to the tanker driver and road haulage disputes and also to the BBC settlement, in which the Government clearly connived.

The end of three years of rigid controls must inevitably cause some pay explosion. Moreover, existing monetary guidelines, although tight enough to prevent a breakthrough of 1974-75 proportions are far too high to be consistent with anything like the 5 per cent settlements norm, as I pointed out at the time of last summer's White Paper.

The danger, however, is that the headlines about settlements will give an impression of a much greater acceleration in pay than is justified. The CBI's earlier over-cautious presentation may itself contribute a little here. But much more important are the distortions in the settlements themselves peculiar to this particular pay round. When sanctions were in force there was an obvious incentive on all sides to minimise published percentages and to put the emphasis on the productivity deals, deferred elements and other ways round. Now union leaders have an interest in maximising headline percentages. In one prominent recent settlement, which was reported to be worth up to 15 per cent was believed by employers to be worth 11 or 12 per cent.
during this round is a combina-

What we look like seeing during this round is a combination of low settlements and abnormally high drift in the early part, and high settlements with abnormally low drift in the later phase. But the movement of actual *earnings* could be much less sensational. The CBI's best estimate for this round is in the admittedly broad range of 11 to 15 per cent. Given a firm policy towards sterling this could still be consistent with inflation not going much above 10 per cent, or even necessarily reaching that figure, for the rest of this year.

Variations on a theme of picketing

PICKETING is a loose word covering a multitude of actions taken by those on strike seeking to persuade others—fellow workers, substitute labour, customers or suppliers — to assist in the industrial action by causing those others not to deal with the employer in dispute. (It has even been extended to demonstrations by the consumer protection lobby). Since 1875, Parliament has attempted, with intermittent help from the courts, to define what picketing is legal and what is not. Its relative failure is reflected in the uncertainty about the legality of the action of picketing lorry drivers in the road haulage strike.

All the variations on the single theme of picketing can be, and are pursued with greater or lesser degrees of vigour. A picket may stand in sullen silence outside the employer's factory gates, content with displaying on a placard the fact of the strike in language calculated to encourage workers' solidarity. Another might find the silent vigil too tame and ineffective.

He may indulge in practices that, more or less, are found tolerable in a civilised country. A demand, for example, that an employer should pay money to a trade union before deliveries will be allowed on to the employer's premises is pure extortion and constitutes blackmail.

In some instances the attempt to persuade by protest and demonstration spills over into violent action and serious—even fatal—injury. In between the two extremes there is a whole gradation of conduct that the law ought to be definite about in tolerating or forbidding. But it is not possible to assert either that picketing is legal or illegal. It all depends.

That Parliament has given a minimal right to picket is undoubted. The problem is to say how far that minimal right extends; and worse still to say how far conduct declared lawful by statute would be unlawful without it. Section 15, Trade Union and Labour Relations Act 1974 — the latest of four legislative steps—says that it shall be lawful for people to attend at or near certain places for certain purposes, so long as they act in contemplation or furtherance of a trade dispute.

The crucial element in that provision is the conluding phrase, as it has been interpreted by the courts within the last year or so. But, quite apart from the restricted way in which the courts have interpreted that phrase, the section in the Act gives a very limited right.

It is, above all, always subject to regulation by the police in exercise of their power to prevent a breach of the peace. Much recent picketing has come perilously close to the physical blocking of the roads leading to and from the place of work and as such constitutes a public nuisance which is a crime as well as a civil wrong.

In such a situation not to obey a policeman's instructions (provided he acts reasonably in order to prevent a breach of the peace) may amount to an offence of obstructing the police in the execution of their duty. Mass picketing is thus almost bound to fall foul of the law.

Trade unionists object that this places far too large a discretion in the hands of the police. As soon as there is the slightest sign of trouble, the police may move in and ask the pickets to move on. Picketing runs the constant hazard that it will be brought to an end abruptly. It is tolerated only so long as the police agree. In the event, trade unionists sensibly discuss in advance with the police the limits of their proposed activities.

This, it is forcibly said, denotes the right into a privilege at the behest of the police. Neither sinde can be very happy with this state of affairs, but it is difficult to see how it could be otherwise.

THE WEEK IN THE COURTS

BY JUSTINIAN

Perhaps there should be established local machinery for defining the limits of picketing rather than have a law or a code of practice that cannot deal with the *ad hoc* situation.

Given police tolerance, there is, nevertheless, a right to *attend* a place of work, but only for the purpose of obtaining or communicating information or "peacefully persuading" another person. Attendance for that purpose includes the right to try and persuade anyone who chooses to stop and listen, in so far as that can be done in a reasonable way with due consideration for others.

But there is decidely no right to submit anyone to any kind of constraint or restriction upon his personal freedom. And there is the rub.

A picket, in days gone by, could get across his message to the strike-breaking worker who walks to work. You can walk alongside him bellowing in his ear the message of trade union solidarity; and only the deaf (including the selectively deaf) can avoid the blandishments for so long as it takes him to run the gauntlet of the picket.

But the man at the wheel of his car, or the passengers in the bus, are not readily reachable, except perhaps by a powerful microphone, and even then the penetration will not be great and will be ephermeral.

Before the Trade Disputes Act 1906 there was a controversy over what was "peaceful" picketing and what was not. The Act solved the problem by making it clear at least that peaceful picketing included not only peaceful transmission of information (that there was a strike going on) but also peaceful persuasion (not to cross the picket line), and so it has been repeated in the recent legislation of 1971 and 1974.

But the protection of the pickets against criminal prosecution or civil proceedings covered only producer-picketing and not consumer-picketing: that is, persuasion not to work as opposed to persuasion not to buy.

The essential protection to peaceful picketers who might otherwise be obstructing the highway or causing a public nuisance is that their activity must be in contemplation or furtherance of a trade dispute. Here the law is in a state of flux, not to say confusion.

Four years ago Lord Denning proclaimed that the right to picket, so long as it was peaceful, could be indulged in by those making political protests as well as those engaged in industrial action. In the case where a number of citizens in Islington demonstrated outside the premises of a local estate agent, they were stopped from doing it by an injunction from the courts.

In dissenting, Lord Denning asked rhetorically: "Why should workers be allowed to picket and other people not?" Apart from the fact that in the case of a trade dispute the matter is governed by Act of Parliament, the law draws no distinction between the two kinds of picketing.

That expansive approach to peaceful picketing would seem to indicate that the courts would favour a liberal interpretation of what constituted "the furtherance of a trade dispute," and in particular would encompass secondary picketing or sympathetic picketing. But no.

In a series of cases under the provision giving immunity to trade unions from being sued, Lord Denning and his colleagues have restricted the ambit of that immunity. And what goes for trade unions in their industrial action that induces its members to break their contracts of employment, so the same appears to go for picketing.

The most recent instance involved the action taken by the National Union of Journalists when it instructed its members on the Express group of newspapers to "black" all newspaper copy emanating from the Press Association in support of the strike of provincial journalists. That action was clearly unlawful, unless the action was taken in contemplation or furtherance of a trade dispute.

The National Union of Journalists genuinely and honestly believed that the blacking would assist their provincial members and advance the cause; and that that was enough to bring them within the immunity.

But Lord Denning is reported by the Daily Telegraph of December 21 assaying: "It is not sufficient that the trade union leader should advance the cause. It is not merely a subjective test. The act must be such as to hold a reasonable prospect or be reasonably capable, of advancing a trade dispute."

The journalists who were asked to black the copy were not themselves in dispute with their employer; hence the Court of Appeal was able to say that the evidence was not sufficiently compelling to show that the supporters of the strikers were themselves engaged in a contemplated trade dispute, or acting in furtherance of one.

The concluded view of labour lawyers this last week has been that the courts have clipped the wings of the trade unionists who had thought that the latest legislative essay into the conferment of legal immunity for all kinds of industrial action was comprehensive. It looks now as if, when the winter of our discontent has passed, Parliament will again be debating the scope of the picketer's licence and the trade union's immunity from legal action.

Likely prospects at Newbury

RACING

BY PAMELA JUDGE

WITH THE SEASON'S most competitive handicap hurdle, the Schweppes Gold Trophy, less than three weeks away, many trainers unable to do anything but minimal work with their Newbury hopefuls and denied the aid of preliminary races, are becoming anxious to say the least.

For this reason those intrepid ante-post backers who annually take a shot at picking the Schweppes winner are probably best advised to look for a runner with either the advantage of a recent outing or is likely to be at his best after a light preparation. From each of these categories, those to bear close inspection are Albion Prince and Within the Law.

There seems little doubt that Albion Prince, the market leader in several lists, will represent Fred Rimell in preference to five other Kinnersley entries. The Prince Regent horse, the subject of some good sized ante-posts bets when his weight of 10 st 10 lb became known, put up a more than useful performance when given the opportunity of a much needed run at Wolverhampton last week.

Not given a hard race there by Jimmy Burke after Heather Hawk, in receipt of 32 lb, had set up an unassialable advantage approaching the final flight, Albion Prince coasted home a respectable second to the Ted Carter gelding, thought good enough by his handler to take the field for the Sun Alliance novices hurdle.

Mercy Rimell, understandably more than pleased with Albion Prince's effort, was in no doubt that the race would do the five-year-old nothing but good. "He hasn't done much at home because of the weather, and we had to get a race into him before the Schweppes," she said.

Within the Law, not seen out since narrowly escaping disaster when crashing through the rail two flights from home in the Bula hurdle at Cheltenham early last month, lost the opportunity of a preliminary run at Haydock. However, unlike Albion Prince, the Peter Easterby gelding, winner of his first three races last term, needs little preparation and the absence of a previous run would in no way dampen my hopes for him on February 10.

With 11 st, the Easterby bay seems to hold every bit as bright a chance as his stable-mate Major Thompson, who is 10 lb heavier than him in the weights.

Dikaro Lady, Kenlis and Badsworth Boy all look likely prospects for Tony Dickinson at Teesside today, and it is with more hope than confidence that I suggest Kenlis as his best bet.

TEESSIDE

12.45—Dikaro Lady**
1.15—Most Jubilant
1.45—Irish Prince
3.15—Kenlis***
3.45—Badsworth Boy*

TV/Radio

† Indicates programme in black and white

BBC 1

9.15 am For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill. 1.45 Barnaby. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.33 Regional News for England (except London). 3.55 Play School. 4.20 It's the Wolf. 4.25 Jackanory. 4.40 Playhouse. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.
5.55 Nationwide (London and South-East).
6.20 Nationwide.
6.50 Question of Sport.
7.20 The Rockford Files.
8.10 The White Tribe of Africa.
9.00 News.
9.25 The Monday Film: "Walkabout" starring Jenny Agutter.
11.00 Tonight.
11.40 Weather/Regional News.

All Regions as BBC-1 except at the following times:

Wales—1.45-2.00 pm Pili Pala. 2.18-2.38 For Schools. 4.40-5.05 Bobol Bach. 5.55-6.20 Wales Today. 6.50-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland — 10.00-10.23 For Schools (Around Scotland). 5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

10.30 am Multi-Racial Britain.
11.00 Play School.
2.15 pm Let's Go.
2.30 The Craft of the Potter.
3.00 That's The Way The Money Goes.
3.30 Delia Smith's Cookery Course.
4.00 Modern Language Teaching.
5.35 News On 2 Headlines.
6.10 Charlie Chaplin in "The Champion."
6.10 Animal World.
7.00 The Water Margin.
7.45 In the Post.
8.10 Mid-Evening News.
8.15 The Marti Caine Show.
9.00 Monty Python's Flying Circus.
9.30 The Body In Question.
10.20 Arena.
11.00 Telé-ournal.
11.25 Late News.
11.40 Closedown (Reading).

LONDON

9.30 am Schools Programmes. 12.00 The Wotsit From Whizz-Bang. 12.10 pm Rainbow. 12.30 The Cedar Tree. 1.00 News plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Plus. 3.20 Raffles. 4.20 Clapperboard. 4.45 The Paper Lads. 5.13 Batman.

5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 Ken Dodd Laughter Show.
7.30 Coronation Street.
8.00 Feet First.
8.30 World In Action.
9.00 Danger UXB.
10.00 News.
10.30 The Eamonn Andrews Show.
11.30 Rafferty.
12.25 am Close: Oliver Maguire reads from the Bible with a painting by Michelangelo.

All IBA Regions as London except at the following times:

ANGLIA

1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "A Patch of Blue." 5.15 University Challenge. 6.0 About Anglia. 10.30 Feature Film: "Barabas." 12.55 am Reflection.

ATV

1.20 pm ATV Newsdesk. 5.15 Oh No! It's Selwyn Froggitt. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 Our People. 11.30 Barnaby Jones.

BORDER

†1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "The Impossible Years" starring David Niven. 5.15 University Challenge. 6.00 Lookaround Monday. 6.20 Cartoon Time. 11.30 Pro-Celebrity Snooker. 12.15 am Border News Summary.

CHANNEL

1.18 pm Channel Lunchtime News and What's on Where. 2.25 Monday Matinee: "They Call It Murder." 5.15 University Challenge. 6.00 Channel News. 6.10 Spiderman. 10.28 Channel Late News. 10.32 Country Style. †11.00 *Monday Night Feature Film:* "The Whisperers." 12.45 am Channel Gazette *followed by News and weather* in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm Grampian News Headlines. 5.15 University Challenge. 6.00 Grampian Today. 6.05 The Electric Theatre Show. 10.30 Reflections. 10.35 Monday Film: "Licensed to Kill." 12.25 am Grampian Late Night Headlines.

GRANADA

1.20 pm Dodo. 2.25 Monday Matinee: "Sex and the Married Woman." 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Happy Days. 10.30 Reports Politics. 11.00 Mystery Movie: McCloud.

HTV

1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West. 6.22 Report Wales. 10.35 The Monday Film: "The Love Machine."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 2.00 Hamdden. 2.25-3.20 After Noon Plus. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

1.25 pm News and road and weather. 5.15 Cartoon. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Sale of the Century. 10.30 Late Call. 10.35 The Detectives: Columbo.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "Jolson Sings Again" starring Larry Parks. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day. 6.45 Dick Barton—Special Agent. 10.30 Southern News Extra. 10.35 Star Treatment. 11.05 The New Avengers. 12.05 am Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 2.25 Family. 3.20 Generation Scene. 3.35 Cartoone Time. 3.50 Lassie. 5.15 University Challenge. 6.00 Northern Life. 11.30 Winners and Losers. 12.00 Epilogue.

ULSTER

1.20 pm Lunchtime. 2.25 Keep Up With Yoga. 2.55 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.30 Monday Night. 10.40 Hawaii Five-O. 11.35 Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.25 Monday Matinee: "They Call It Murder." 5.15 University Challenge. 6.00 Westward Diary and Sports Desk. 10.28 Westward Late News. 10.30 Country Style. †11.00 Monday Night Feature Film: "The Whisperers" starring Edith Evans and Eric Portman. 12.45 am Faith for Life. 12.50 West Country weather, shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Family. 3.20 Heart to Heart. 3.50 Andy. 5.15 University Challenge. 6.00 Calendar (Emley Moor and Belmont editions). 10.30 Pro-Celebrity Snooker. 11.15 Twist in the Tale.

RADIO 1

(S) Stereophonic broadcast

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Tony Blackburn. 4.00 Andy Peebles. 5.30 Newsbeat. 5.45 Kid Jensen. 6.31 Stayn' Alive. 7.30 As Radio 2. 10.02 John Peel (S). 12.00-2.02: As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 David Allan (S). 7.32 Terry Wogan including 8.27 Racing Bulletin and 8.45 Pause for Thought (S). 10.02 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 Ray Moore (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.45 Sports Desk. 7.02 Music from the Movies (S). 7.30 Alan Dell: 7.30 The Dance Band Days. 8.02 The Big Band Sound (S). 9.02 Humphrey Lyttelton with The Best of Jazz on records (S). 9.55 Sports Desk. 10.02 The Monday Movie Quiz. 10.30 Star Sound. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 am News Summary.

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composers: The Court of Frederick the Great (S). 9.45 Talking About Music (S). 10.15 Britten and Searle song recital (S). 11.05 Music for Harpsichord (S). 11.40 BBC Northern Symphony Orchestra (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Music for Organ (S). 2.35 Matinee Musicale (S). 3.35 New Records (S). 5.15 Bandstand (S). 5.45 Homeward Bound (S). 6.30 News. 6.35 At Home: Toscanini Conducts. 7.30 EBU Concert from Brussels, part 1. 8.20 Misunderstanding Jung (by Stephen Abrams). 8.40 EBU Concert, part 2 (S). 9.30 Lord Denning at 80. 10.15 Bach: Brandenburg Concerto No. 2 (S). 11.00 A Time and a Place. 11.30 Jazz in Britain (S). 11.55 News.

RADIO 4

6.0 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today: Magazine, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News, 7.30, 8.30 News Headlines, 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Ray Gosling with the BBC Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 Policewoman. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Quote . . . Unquote (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Lord Peter Wimsey. 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (S). 9.15 China and Russia: Two Roads from Revolution. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Great Divide. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 Question Time from the House of Commons. 1.05—Close: As Radio 2.

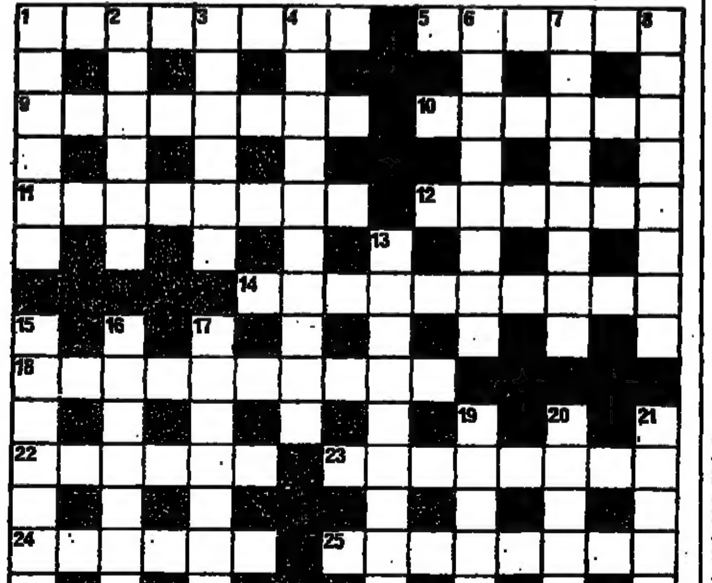
London Broadcasting

5.00 am Morning Music. 6.00 A.M.: news, information, travel, sport. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 pm Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,877



Across

1 Prepare to receive cash (3, 5)
5 Magistrate that is after security (6)
9 Saucy result of ample art (8)
10 The right angle of self-possession (6)
11 The mind of one with an *idée fixe* (3, 5)
12 Doctors surround the artists in the marsh (6)
14 There is no return here to bachelor diet (6, 4)
18 Concerted sovereign (3, 7)
22 King Arthur's final resting place (6)
23 Frustrated—by alcohol? (8)
24 He was a citizen of credit and renown (6)
25 "They say —— are past" (All's Well) (8)
26 One turns with a cry of disgust—no more is needed (6)
27 An outlet surrounds this era of adventure (8)

Down

1 Doctor in prison—what a lark (6)
2 Sneak in the bank (6)
3 Formerly left to go abroad (6)
4 Instructions show the way to a Cornish saint (10)
6 A school may be but not by the inmates (8)
7 Behold a system to ignore (4, 4)
8 Chief man in rising township is standing out (8)
13 Urge on the carpenter to have a snack (3, 2, 5)
15 Good man has the right point of view to suppress (8)
16 Is gaoler needed for the women's quarters? (8)
17 I'm propounding what is impressive (8)
19 Island home of Odysseus (6)
20 The Muse of Comedy and th' other things (6)
21 Call to the faithful from Rome (6)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

The winners of last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards. 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA. Winners 1978 SWET Award Outstanding Achievement in Opera. Tomorrow, Thur & Sat 7.30 Tosca. Wed & Fri 7.30 Il Trovatore. 104 ...

THEATRES

LYRIC THEATRE. CC. 01-437 3686. Evs. 8.00. Thurs 3.00. Sat. 5.00, 8.30. BARBARA JEFFORD. FRANK FINLAY. FILUMENA by Eduardo de Filippo. Directed by FRANCO ZEFFIRELLI ...

THEATRES

WEMBLEY ARENA. 01-902 ... HOLIDAY ON ICE ...

CINEMAS

ART GALLERIES

CLUBS

THE ARTS

ICA Theatre

The Warp by MICHAEL COVENEY

First a few fact. I entered the ICA at 10.15 am last Thursday. *The Warp*, a cycle of ten plays by the poet and painter Neil Orom, began at 10.45 am. After 18½ hours of theatre, two one-hour meal breaks and a half hour beer and coffee interval at 2.35 am, I proceeded from the ICA to the Tube station at 8 am on Friday morning. I was tired but elated. One lighting cue went awry at 6.55 pm; Russell Denton, as the hero, Phil Masters, took his one and only prompt at 9 pm in the course of an astonishing performance which kept him before us for all but five minutes of the duration; a chair came apart in Phil's hand at 1.20 am and a telephone rang on the wrong set at 6.35 a.m. I was present in the theatre for every single word of the production.

A company of about 40 actors and musicians play over 200 characters. There are ten acting platforms around a large pit of peat. The audience is mobile, squatting on benches and inhabiting vacant stages while the production team shifts scenery and properties around them. On high, a small rock band accompany the extraordinary saga throughout. After a prelude in 15th century Bavaria, Phil begins his quest for the truth and self-knowledge in a Torquay woodshed with a luscious, naked nymphomaniac. The year is 1957 and, after an interlude in South Africa, he fetches up in the eccentric, bohemian world of Sam Widges, a Soho café where his developing enthusiasms for poetry and jazz find startling release in an improvised session.

Up to this point, the actors progress in clockwise fashion from one set to another, establishing the narrative quality of the exercise before exploding all over the place. As the lights change, we find ourselves travelling from one part of the theatre to another. Phil dabbles with scientology in order to combat his "feeling of loss and present time problem" and the second play opens with a brilliant half-hour auditing session in which our hero is compelled to dredge up childhood memories. Immediately afterwards, he receives his first warning about scientology from a nubile free-lover. The autobiographical nature of the piece is emphasised when Mr. Oram, in a marvellous bit of alienation theatre, appears himself to recount how he smuggled some dope through a Paris paralysed by political demonstrations.

As the show builds up and goes on, you begin to realise that much of it is a pretty sarcastic lament for the hippie culture of the 1960s. The basic pattern is one of confession and reply, with an endless stream of extraordinary characters appearing to put Phil right, take him on to meet somebody else or just haul him into bed. There can be no conclusion for Phil is the sort of person who can never reach one himself. He goes through a lot, amassing experience on his travels, with women, in his interest in UFOs. At one point he becomes a paranoid schizophrenic, unable to escape from himself and strangely grateful that his wife finds happiness with his own best friend. He becomes a "magician of love," conducting a scientifically beautiful hypnosis trip for an admirer.

— *M/C No. 40 8/8½ TKH* —

He runs an art gallery, attempts to animate a hippie community with a scathing attack on complacency while arguing that there is no point to a hippie lifestyle unless it "alters the psyche of the universe." The attempt, naturally, fails and, after attending a flying saucer conference in Ireland and encountering UFOs in the Brontës' Howarth parsonage, he sets off to Loch Ness to start up a centre where "people can give birth to themselves." The location is allegedly haunted by Aleister Crowley, and dark forces throw both his personal and ideological ambitions into confusion. Rachel supplants Meg in his affections and that proves to able to step from the frying pan into the fire.

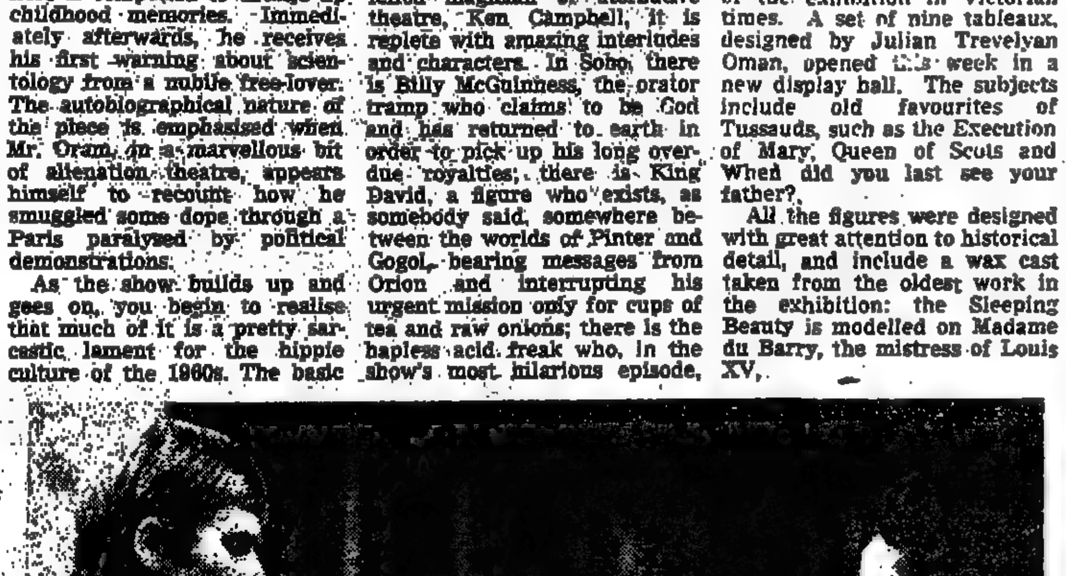
Half-way through the cycle, the whole saga takes on the soap opera feel of something best described as "The Acid Archers." Writing and costumes convey exactly the tone of the period, with characters giving out love and generosity with the right hand while clawing destructively at each other with the left. Rachel oscillates violently between her upper-class background and Phil, eventually landing up in a lunatic asylum and leaving Phil to contemplate the scientology movement as another powerful element in the global conspiracy game.

Because the show is so long and so large, and because it has been directed by that unparallelled magician of aternative theatre, Ken Campbell, it is replete with amazing interludes and characters. In Soho, there is Billy McGuinness, the orator tramp who claims to be God and has returned to earth in order to pick up his long overdue royalties; there is King David, a figure who exists, as somebody said, somewhere between the worlds of Pinter and Gogol, bearing messages from Orion and interrupting his urgent mission only for cups of tea and raw onions; there is the hapless acid freak who, in the show's most hilarious episode, disrupts a cafe by snorting backed beans and excreting sausages; there is the mystic greengrocer who serves customers in gobbledegook, but holds forth on UFOs with exact lucidity; there is the Bhagwan Rajneesh in India, whose tranquil instructions are vigorously rejected by Phil; there are knockabout Turkish policemen, comic Chinese officials, Buckminster Fuller, clowns and fire-eaters, military art enthusiasts, a raging landlord ("I don't have any friends; just different classes of enemy") and a Jack Douglas-style postman who pops up everywhere with bad news for Phil.

When you consider that the whole project has been born of five months' work and four weeks' rehearsal, the actual achievement becomes even more remarkable. As in his previous epic for the Science Fiction Theatre of Liverpool, *Illuminatus!* which lasted a mere eight hours, Ken Campbell has joyously melded elements of music hall, science fiction, story-telling, sex and adventure, in a piece of theatre that those who are lucky or brave enough to see it will never forget. It makes the rest of our so-called experimental theatre look positively wan.

The production manager is Tim Albery, the musical director Camilla Saunders. The cast includes, memorably, Jim Broadbent, Steve Williams, Jolia Cappleman, David Hatton, Bill Nighy, Mitch Davies, Maggie Jordan, Pat Donovan, John Joyce, Maria Moustaka and Richard Hope.

The cycle was given again yesterday and runs for the last time next Saturday. Before then, you can see it in two halves on Tuesday and Wednesday and again on Thursday and Friday. Hurry: the world may soon divide into those who have been through *The Warp* and those who have not.

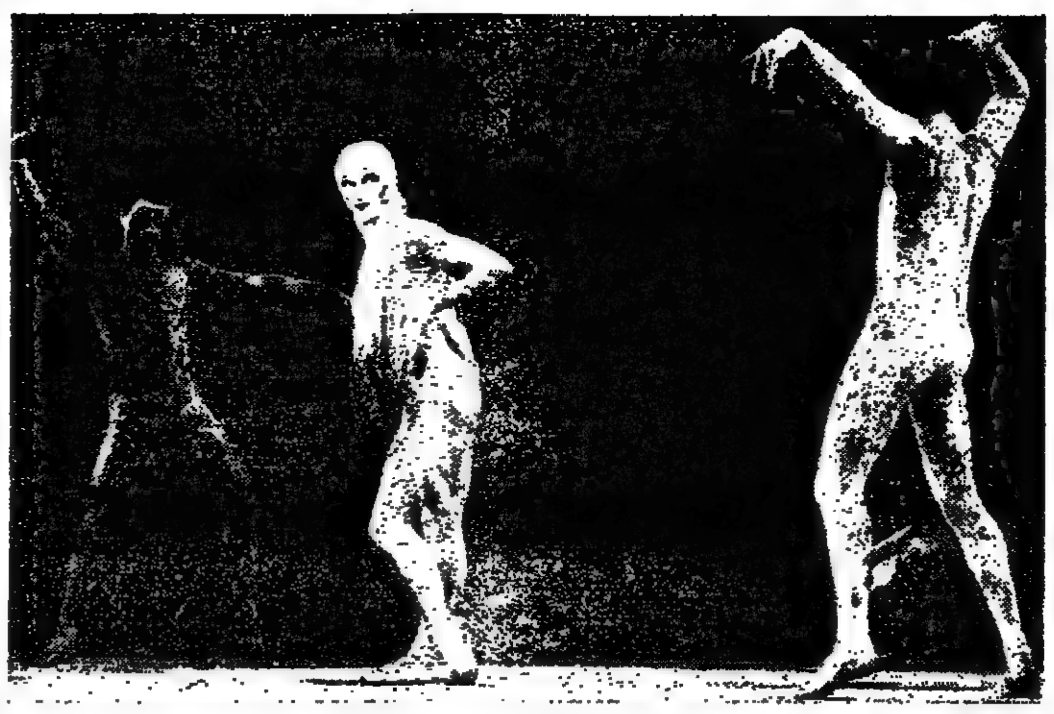


Russell Denton and Tony Maples

Tableaux at Tussauds

Madame Tussauds is reviving the tableau, a popular feature of the exhibition in Victorian times. A set of nine tableaux, designed by Julian Trevelyan Oman, opened this week in a new display hall. The subjects include old favourites of Tussauds, such as the Execution of Mary, Queen of Scots and When did you last see your father?.

All the figures were designed with great attention to historical detail, and include a wax cast taken from the oldest work in the exhibition: the Sleeping Beauty is modelled on Madame du Barry, the mistress of Louis XV.



Monica Mason in 'The Rite of Spring'

Covent Garden

Stravinsky ballets

by CLEMENT CRISP

"Stravinsky's music persistently lives in our theatre because the theatre is so alive in his music." Thus the distinguished critic Minna Lederman pinpointed an essential fact about Stravinsky in a celebratory symposium some 30 years ago. The triple bill which the Royal Ballet showed us on Friday night—*Firebird*, *Scènes de Ballet*, *The Rite of Spring*—was continuing testimony to the truth of this observation.

Firebird fades choreographically after the encounter of Ivan with the magic bird. We have moved so far away from Fokine's original, and I suspect that the text now offered by the Royal Ballet *via* Grigoriev and Chernichova extends the distance, that the manipulation of Kastchey's hordes and the sweet evolutions of the princesses seem little more than choreographic small-talk. (Interesting, though, to see MacMillan repeating Fokine's idea of a line of dancers collapsing in sequence when Kastchey first appears by showing *Rite's* tribe of aboriginals falling backwards in a serpentine shape across the stage.)

What holds our attention now in *Firebird* are the luscious sonorities, the imaginative theatrical force of the score, which we transfer from ear to eye, imbuing the boringly lit and stiffly played stage action with the fairy-tale glow of the music itself. That the score was on Friday performed as if it were Minkus at his most leaden seems further tribute to Stravinsky.

The Firebird of the evening was Alfreda Thorogood, making her debut. She understands the bird's mystery—*not a* swan princess in orange feathers, but a magical being—and her clear line, a moment of boldly unafraid grandeur when confronting Kastchey, were admirable. But we still need to see far more soaring leaps at her first entry so that the bird flashes high through the garden; an unidentifiable flying object to bedazzle the prince, rather than a talented danseuse launched into one of the most taxing of roles.

I love Ashton's *Scènes de Ballet*, as I love the score, for its conciseness, its elegance, the way in which the extravagant paraphernalia of the 19th century *ballet à grand spectacle* is suggested in a few bars, a few steps, which capture the very essence of the classic ballet. This reduction of so much into so stylishly brief a form — inspired, so it seems to me, in both composer and choreographer by deep love and no less deep understanding — makes for Ashton's finest ballet.

Because the choreography has a geometric inevitability (when he had finished creating a section, Ashton used to say: "Well: Q.E.D.") the dance incidents work themselves out with beautiful economy. In other hands the invention in *Scènes* could be puffed out to fill an evening, and its effects then would be less rather than more.

Scènes also has the most imaginative opening of any ballet I know: the diagonal of five men spaced across the stage establishes a tone of poetic grandeur that is a flash of choreographic genius. Each incident thereafter seems a *haiku* whose brevity results from acute perceptions about the heart of things balletic. Not too fancifully one can see whole passages from *Beauty*, the cascading entries of *Paquita*, the Lydian ballabile, perhaps, from *Le Roi Candaule*, or variations from *Kalkobrino* or *Les Saisons*, long since lost, but hinted, evoked, by a single inspired brush-stroke of dancing.

Yet *Scènes* is not just an exercise in distillation. It exists more importantly as a glorious response to Stravinsky's musical text, fixing its formal devices and its orchestral qualities in dances that seem forever fresh, stimulating, astounding. Friday's performance, led by Jennifer Penney and Michael Coleman, was attractive without scaling any heights — and I feel that *Scènes* must attempt just that. Penney, so easy and naturally gifted in movement, gives the ballerina role an almost soubrette vivacity. (Removal of the black neck-band she wears would help integrate body and head into the choreography: it is a disastrous, guillotining decorator's caprice.) But I would like to see Irina Kolpakova in the role wherein her pure Vaganova classicism would epitomise and illuminate the rigour implicit in Ashton's dances. The corps of girls was excellent; the male quartet, talented young dancers, fudged double *tours en l'air* zealously. Does no one care about academic exactitude? The peasant boys in the Kirov *Giselle* latterly in Paris all perform such steps with clarity, landing in tight, unfidgetty fifth positions.

Rite of Spring, in MacMillan's version, is a no less intelligent and aware response to Stravinsky's inner theatre. The ancient ritual of its first stagings is no longer possible. The inspired use of Sidney Nolan as decorator—a reminder of the good old days when the Royal Ballet knew that artists rather than specialist "stage designers" could bring something of value to the theatre—and MacMillan's skill in delocalising th eaction without distorting the score, make for a work of cumulative power.

The first scene is a prelude; once the gold phallic tree appears and Monica Mason is chosen as the sacrificial maiden, the ballet takes fire. Mason returned to her created role on Friday. In energy, musicality, and a dramatic intensity that burns through her white-painted face, and speaks in every leap and pose of her body, she gives an utterly commanding, sensational performance. It has not, of course, been filmed for posterity, so future generations will have to accept the fact that it is one of the most extraordinary interpretations in British ballet in 20 years, and wonder why we were so foolish and graceless as not to honour it with permanent record. In a filmed performance future audiences would also be able to admire the musical responsiveness and dedication of preparation brought by the corps de ballet to this complex and rewarding choreography.

But lest this matter of preserving important performances seem too dispiriting, let me salute Colin Nears' entirely excellent version of *Pierrot Lunaire* shown by the BBC 2 television on Saturday night. Christopher Bruce's marvellous incarnation of Tetley's hero—and Tetley's own most illuminating commentary—are saved for the future. Hurrah.

Coliseum

The Marriage of Figaro

by DAVID MURRAY

Though the English National Opera's new *Figaro* has now seen extensive cast changes, the general effect seems—as far as one may judge from the initial reviews—much the same. The Susana and Cherubino of Lillian Watson and Sally Burgess remain the most fully and attractively realised characters; Miss Watson's "Deh vieni" is as lyrically charming as her Figaro's amorous pleading, minutes later, is heavy and graceless — John Tomlinson's large, pleasant voice is still very plainly used. Dennis Wicks' Bartolo is ripe with curmudgeonly distaste; his rapid patetr is hobbled by all those consonants in the Dent words, two to every Italian one.

The new conductor is David Sutton, but he has surely inherited his tempi from Sir Charles Groves—it is statistically improbable that an opera house should have *two* conductors who believe, independently that *Figaro* should go as slowly as this. The overture raced too hard for the comfort of the orchestra, but thereafter the recitatives were unconscionably dragged out and the ensembles sadly lacked brio—with the sextet one might almost have thought that Mozart had made heavy weather of bte jokes. The arias enjoy more orthodox treatment, though both the new Countess, Eiddwen Harrhy, and the wind section sounded tried by the stately pace of "Porgi amor." Miss Harrhy rose more confidently to "Dove sono," or rather sat and rose again—she does not now deliver it entirely from her armchair, but only touches down arbitrarily in mid-song. The quantity of sitting in Jonathan Miller's production has been widely remarked, and most of what movement there is is *singularly tame; a dearth of* comic urgency prevails throughout.

Peter Knapp is a competent Count, with a touch of the John Cleeses, but some things in the role lie outside his range: menace, ardour — his glazed repetitions of "O joy past all expressing!" were eerie—and the lower notes. Angela Bostock makes a dignified, sharp-eyed Marcellina, not quite easy with her aria yet; Terry Jenkins' Basilio has taken the measure of his, and makes a positive contribution whenever he appears. All in all it is a respectable cast, and if this is a bland, slow-motion *Figaro* at least it elapses in handsome, resourcefully lit settings. A generous injection of musico-dramatic pace could do wonders for it.

Shaftesbury

1001 Nights

by B. A. YOUNG

"I've got work to do," said the lady with the black lipstick, dusting my hair and climbing across the orchestra pit to the stage. Le Grand Magic Circus is one of those companies that inhabits a theatre before the show begins.

Jerome Savary, writer and director of this version of the classic tales, is a serious artist who chooses to present his ideas through the medium of the circus because in France the circus is still a living tradition capable of presenting ideas simply and forcefully. His knockabout productions are the equivalent of Brecht's plays where songs and banners are interpolated to ensure that even the least literate audiences will catch on. In *1001 Nights* he gives us some of his message with only a light disguise; Aladdin, who has lost everything and become no more than a penniless foreigner in a strange city, cries out for more belief in fantasy (the spirit of Peter Pan perhaps haunting the theatre still—"Clap your hands if you believe in genies!"), and justice is represented as unjust and cruel.

As it happens, I found this part of the evening too sentimental for me. But the rest of it kept me laughing fairly steadily with its boundless novel invention. In the first half we see some of the adventures of Sinbad the Sailor (now a wealthy Parisian, but given to flashbacks), and in the second, the tale of Ali Baba and the Forty Thieves.

Hopeless to try and recount all that happens. The tales take many unexpected twists; Sheherazade, for instance, has brought her book of stories with her to the Sultan's bedchamber, but a lapse of memory compels her to consult it. The Sultan naturally takes it from her, and having sent her to join all the previous wives in the abattoir, he settles down to read them for himself. There is a good deal of political reference (the dialogue and lyrics are partly in French though mostly in English, occasionally in Spanish or German). The roc is the familiar eagle of the United States; and quickies about such topical events as rail-strikes litter the speeches.

Scenery and costumes by Michel Lebois and Michel Dussarrat respectively, are lavish, even if they do seem to belong in the circus-ring more than the theatre. There is a splendid camel. On a larger scale, there is New York, one of Aladdin's gifts to his bride, conjured up for him by the genie. There is even the Eiffel Tower. But time and again we return to the little Paris street where we began, hauling us relentlessly away from the world of wonder and imagination to the harsh realities of our own time.

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I must apologise to Mr. Erik Brogger, who is not after all the pen-name of the director and players of *The Paranormal Review*, but a real person and the only begetter of that enchanting show.

Festival Hall

London Choral Society

Two choral works dealing with mankind's fate on the largest possible scale made up Saturday night's concert by the London Choral Society. But whereas as the main work of the evening, Tippett's *Child of our Time*, is concerned with man's inhumanity to man, and his chance of survival as a truly human being, Brahms' *Schicksalslied* is preoccupied with the uncontrollable forces which shape man's destiny. The Brahms is by far the simpler and shorter work of the two, yet it poses great problems of consistency.

Tippett's more complex and extended piece has, by contrast, a piercingly simple message, and it is one that these days may seem too sharply etched in black and white to be quite comfortable. But in Saturday's performance under David Atherton, many of the colours were softened into shades of grey. Soprano Yvonne Kenny gave the account its tone in her unusually pure, cool descant to the choir's "Steal away."

NICHOLAS KENYON

SPORT

RUGBY UNION BY PETER ROBBINS

Wales seize last-minute victory

IF ALL the matches of this year's international championship are as gripping as Scotland's against Wales, then we are in for a season of enjoyable suspense.

It is often said that rugby is for the players to enjoy, and that second. The most satisfying the spectators finish a poor feature of the match on Saturday was that both factions managed simultaneously to enjoy themselves.

The final bliss belonged to the Welsh who won 19-13, with Holmes scoring the winning try, converted by Fenwick, five minutes from time.

It is debatable whether to play with the advantage of the elements in the first half. On balance, I think McGeechan was right to play downwind from the start even though Wales scored a penalty in the first minute.

It is difficult to concede that Scotland failed to win a single match last season, so well did they play in the first half.

The principal reason for this change was the performance of their half-backs, Lawson and the new cap Rutherford.

Lawson has had his brushes with the establishment, but those are forgotten and forgiven. It was his kicking that made life wretched for new cap Elgan Rees on the wing and the great J. P. R. Williams.

Rutherford, too, did considerable damage with his accurate positional kicking and once Scotland had gained territory, Lawson was able to run to either side of the scrum, giving Ringer a worrying time on the Welsh flank.

Rutherford looks a real find and was not over-awed by the assembly of greatness opposite him. He has a quick, economic pass and his understanding with McGeechan and Irvine was remarkable.

It was Irvine who epitomised Scotland's running policy with some incredibly audacious counter-attacks, made possible and more frequent by some poor clearance kicks from the Welsh three-quarters.

Wales had no one of Irvine's pace and dash, but what they had were 15 solid workhorses. Not that they were passive in the first half, but their passing behind was short of rhythm and frankly their pack had scarcely achieved the dominance entitling the team to indulge the three-quarters.

Their superior scrummaging began to show, but elsewhere they met some stupendous close defence from Biggar—who has never played better—and Deans and Hay.

The Welsh forwards could never develop that massive surge, and so Holmes and Davies were quite unable to regulate the tempo of the game, as is customary with Welsh half-backs.

Irvine's brilliant try, following his two penalties, gave Scotland a lead of 10—3, and Wales faced their most difficult period towards half-time. Another Scottish score would have been ruinous for them but Lambie gave away a penalty which Fenwick converted.

Irvine kicked a third penalty and half-time came not a moment too soon for Wales.

Fenwick played a leading part in the final stages of the Welsh revival, first by kicking a penalty and then resisting two tackles so that J. P. R. Williams had an overlap for Rees to score.

That made the score 13 points apiece, and it had been a remarkable recovery.

Rugby has its causes and effects, and given that extra liberty, Holmes began to run and re-discovered his accuracy of passing. The wind, such a close ally in the first-half, became an implacable foe, and it was Davies's turn to use it behind the machine-like pack. It was only a question of time before Wales took their winning opportunity.

Wales look favourites to win the crown again, although Ireland's 9—9 draw with France, following their competent display against New Zealand, indicates more than a temporary revival.

Brave Scotland have already atoned for last year's despairing performances.

SOCCER BY TREVOR BAILEY

Second Division promotion battle

UNLIKE the First Division, where the overall standard has dropped noticeably, the Second Division contains a remarkable number of teams which have improved or are still improving.

A fascinating struggle for promotion has already developed, with no fewer than 11 sides still interested in the outcome.

One important reason for this is that the Second Division has the pick of most of the best young managers in the country—men whose playing careers have ended recently, and many of whom have been outstanding club captains. Mullery of Brighton, Durban of Stoke and Venables of Crystal Palace are three examples.

They are the new breed of manager—articulate, intelligent, trendy and ambitious — who know that they have to produce success if they are to claw their way to the top of what must be about the most insecure of all highly-paid professions.

At the Goldstone ground on Saturday, Stoke and Brighton and Hove Albion, now occupying the second and third positions in the table, fought a full-blooded, indifferently refereed battle on a heavy pitch. It ended as a 1—1 draw, which was probably a fair result, with both goals the product of defensive errors.

The conditions suited the visitors better than Brighton, who lost much of their pleasing style and rhythm in the mud, especially after the interval when the surface was churned up.

One gained the impression that some of their passes and moves were too ambitious for the circumstances. It was noticeable at the other end that the high ball directed at Stoke's tall, powerfully-built centre-forward, O'Callaghan, caused more defensive problems than more sophisticated methods of attack.

Although Brighton's manager, Alan Mullery, was disappointed with his team's performance, and their failure to adapt, the imaginative and entertaining football they play would prove a considerable asset should they achieve their ambition and join the elite next season.

The directors of Brighton, a team which has never reached the First Division, and to whom the Second constitutes something of a novelty, have wisely decided that amenities at their ground have to be improved so that they may attract support on the scale needed to survive if they are promoted.

As a result, their Board is about to embark on an ambitious building scheme, costing over £1m. It will double the seating capacity, increase the covered area, and introduce that new money-spinner, company boxes.

One of Brighton's problems is that while they have been regularly drawing home gates in excess of 20,000 — very good for the Second Division — their overall match receipts, despite higher admission charges to the terraces than most, have been comparatively small.

The reason has been the shortage of seating. Most are taken up by season ticket-holders, and there are not sufficient to satisfy the requirements of supporters from big visiting clubs, who expect comfort and are prepared to pay for it.

It is too early to say whether the Albion will celebrate the completion of their ground improvements in the First Division; but they must stand a good chance. Even more important, if they make the breakthrough, they have the talent to survive.

Stoke were relegated after 14 consecutive years in the First Division, and their talented side, which won the League Cup in 1972, was sold. Now in their second season of Second Division football, their new manager, Alan Durban, could well be taking them back.

However, before becoming too excited by what is happening at the top of the Second, it would be well to remember that two of the recently relegated teams, West Ham and Newcastle, are also pressing strongly for an immediate return.

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Strikes and the law

THE SUDDEN outbreak of strikes in the past few weeks can be regarded as the consequence of two events—the end of three years of a fairly rigid incomes policy and the change of leadership in the country's largest union, the Transport and General Workers. If that explanation is correct, the present industrial crisis is not the ideal time in which to be considering long-term changes in the role of the trade unions and in the collective bargaining system.

Yet the impact of the strikes on the public, however short-lived they prove to be, is such that either the present Government or its successor will be obliged to tackle these basic issues once again. Ironically enough, it is exactly 10 years ago that the Labour Government introduced its White Paper, "In place of strife," partly in response to a number of crippling unofficial strikes in the motor industry.

Great damage

In the ensuing decade several things have happened. First, groups of employees have shown an increasing readiness to pursue their demands for a relative improvement in earnings in ways which cause considerable disruption to the community. While the trade union muscle by the miners in 1972 and 1974 has proved infectious and the number of groups which are able to inflict great damage on the economy has grown; in several cases the action has been initiated not by national union officials, but by local leaders.

Second, the methods used to make the action effective, especially picketing, have become more aggressive. Third, the improvement in plant-level industrial relations which the Donovan Commission called for in 1968, mainly through more effective grievance procedures, has not materialised. Wildcat strikes and other forms of unconstitutional behaviour are just as common as before. The TUC and individual trade unions have shown neither the will nor the ability to deal with the problem. In the meantime damaging inter-union rivalry continues.

It is arguable that public disquiet over these developments—and trade unions' awareness of it—is such that new legislation stands a better chance of success than the Tories' Industrial Relations Act of 1971. But what should such legislation aim to achieve?

One possibility is to restrict the right to strike, particularly in industries supplying essential products and services. This could take the form either of a statutory restriction on workers in certain sectors or of new powers for the Government to compel a continuance of work in situations where national emergency is threatened. Donovan and others have argued that U.S. experience with the Taft-Hartley Act is not encouraging and that in any case the Government has adequate powers to intervene. Nevertheless, the ease with which unexpected groups of workers can create national emergencies suggests that this possibility must be looked at again, perhaps in conjunction with new forms of pay determination in the sectors concerned.

A more fundamental proposal to make strikes more costly and more risky for those who participate in them. It seems absurd that the ability of employers to resist a strike should be weakened by the payment of tax-free benefits to strikers by the Government. But even if Mrs. Margaret Thatcher's suggestions on this point prove practical, they will not effect the short unconsitutional stoppage. In any case other forms of sanction such as the go-slow or work-to-rule can often be more damaging than a strike. So the familiar question returns—can workers be forced to stick to procedure through legally binding agreements?

Donovan, reflecting the views of most industrial relations practitioners, believed that the introduction of the law would not lead to more orderly collective bargaining. It is certainly difficult to see how legally binding agreements — or anything else for that matter — could transform our poorly staffed and decentralised unions into disciplined industrial unions on the American or German model. Yet the Donovan Commission did say that if its proposed reforms did not reduce the number of unofficial strikes, the case for giving some legal support to procure agreements would have to be reconsidered; these would generally be in-plant or in-company agreements.

Unrealistic

It would be unrealistic to suppose that our industrial relations problems will be solved by the introduction of the law or by curbs on national trade unions, whose leadership seems increasingly irrelevant to what is happening on the shop floor. While their influence on legislation and their legal immunities are excessive, the central issue is not so much trade union power as the prevalence of forms of behaviour which impose intolerable burdens on the community. It is this behaviour which has to be curbed.

The Japanese trade surplus

THE ANNOUNCEMENT by the Japanese Government last Friday, that its policy of voluntary restraint on exports would lapse at the end of March, was played down by officials in Tokyo, as well as by their counterparts in Washington, but for somewhat different reasons. The Japanese Ministry of International Trade and Industry (MITI) took the view that the upward movement of the Yen had already proved so effective in curbing exports that the voluntary restraint programme had ceased to play a meaningful role. U.S. officials say that they have never had much faith in the voluntary restraint of exports, but continue to believe that an increase in Japanese imports is the right way to tackle Japan's structural trade surplus.

Revaluation

On the first point, it is certainly a fact that the revaluation of the Yen has been biting into Japan's export performance since the middle of last year. While the trade surplus remains very high in dollar terms, it has started to fall in both volume and Yen terms. In the second quarter of last year export volume was down 2.7 per cent on the corresponding period of 1977, and in the following quarter by 3.8 per cent. For the current fiscal year as a whole, ending in March, Tokyo expects the Yen value of exports to be below the 1977 level. Yet doubts remain over the significance of the announcement from MITI. Japanese officials point out that the voluntary restraint pledge was never intended to extend beyond the current fiscal year, but in that case why was it necessary to announce the end of it now?

Within the broad umbrella of the voluntary restraint programme, exports of a number of sensitive products such as cars, television set, ships, steel and ball-bearings are limited in particular overseas markets in Europe and the U.S. by sectoral agreements.

The British government has long felt that the UK is a particularly vulnerable market for certain Japanese exports, and the question which may legitimately be asked is whether the advance warning of the end of the general export restraint scheme heralds a corresponding change in these sectoral agreements.

On the import front, the Japanese government has certainly taken some steps to rectify the situation, but it is difficult to say that these steps are yet adequate. In the latter part of last year, the government announced a $4bn emergency import programme, but it is already admitted that this target will not be met by the end of the fiscal year.

At the same time, the Japanese Government announced last September a £6.7bn economic package designed to boost domestic consumption. Yet the fact is that the current year's growth is falling substantially below the 7 per cent target to which the Government pledged itself in Bonn last summer, while for the new fiscal year the growth target is officially set at only 6.3 per cent, and most experienced observers in Japan regard this as an optimistic overstatement, and expect that it may well turn out as low as 5 per cent. It is not easy to reconcile the low-growth target with the forecast that the current account surplus will decline from Y2,700bn in fiscal 1978 to Y1,400bn in 1979.

All the recent increase in Japan's exports has been to the fast growing economies of South East Asia, like Korea and Hong Kong, and it is looking to the new market opening up in China. But is is clear that the long-standing Japanese trade surplus is not about to disappear unless the government takes more energetic measures to stimulate growth at home, and may well give rise to further tensions with the older industrialised countries.

A guide to businessmen's costs around the world

BY FINANCIAL TIMES CORRESPONDENTS

HOW PRICES COMPARE IN STERLING

City	Rate of Exchange	Index	B&B	Restaurant Dinner	House Wine	Whisky	Beer	Snack	5 km Taxi
Tokyo	Yen 370.625	133	41.81	26.98	8.09	2.70	1.48	6.75	2.70
Paris	Fr.8.4615	132	56.10	14.17	2.95	2.01	1.53	2.95	2.36
Dubai	UAE Dirham 7.55	120	49.54	13.25	7.28	1.32	1.06	3.97	1.32
Brussels	B.Fr.58.05	118	42.98	14.30	7.75	2.07	1.46	4.30	2.41
Abu Dhabi	UAE Dirham 7.55	116	47.68	11.92	6.62	1.06	1.06	3.05	0.93
Frankfurt	DM3.7075	116	43.43	12.14	5.39	1.35	1.08	4.05	4.05
Manama (Bahr'n)	Bahrn. Dinar 0.755	110	48.34	9.93	3.97	1.14	0.79	3.97	1.32
Copenhagen	D.Kr.10.27	107	43.31	13.25	4.77	1.17	1.36	3.89	2.92
Geneva	Sw.Fr.3.20	103	40.62	9.37	2.81	3.13	0.94	3.75	3.13
Jeddah	Saudi Ryal 6.51	102	43.62	13.82	0.77	0.77	0.77	4.61	0.77
London	£	100	46.50	9.00	2.75	0.35	0.35	2.00	2.50
Kuwait	Kuwait Dinar 0.533	98	48.78	11.26	0.47	0.47	0.47	1.88	1.41
Nassau	Ba.$1.967	97	44.81	10.17	3.56	1.32	1.03	2.03	2.03
Amsterdam	Guilder 4.005	95	40.20	13.73	2.99	0.81	0.62	2.00	2.50
Stockholm	S.Kr.8.5387	93	34.55	14.63	5.27	1.08	1.50	2.46	2.58
New York	$1.967	92	37.72	7.89	2.31	1.02	0.76	2.54	2.03
Oslo	N.Kr.9.860	91	31.44	11.66	7.61	3.23	1.52	3.55	3.04
Lagos	Naira 1.2673	90	33.14	11.84	6.31	0.79	0.95	3.55	3.16
Houston	$1.967	88	37.87	10.17	4.32	1.02	0.64	2.03	2.03
Rio de Janiero	Cruzeiro 38.54	87	28.54	12.97	2.08	2.08	0.39	3.11	0.65
Vienna	Schilling 27.195	83	33.83	5.33	1.84	1.84	1.47	2.20	2.21
Luxembourg	L.Fr.58.05	79	24.98	13.78	1.38	1.21	0.86	3.45	1.38
Taipei	New Taiwan 70.812	78	24.21	17.79	1.34	1.25	1.34	1.24	0.97
Los Angeles	$1.967	77	36.48	7.12	2.03	0.81	0.64	1.78	1.53
Chicago	$1.967	76	33.30	9.15	3.05	0.64	0.51	1.27	1.53
Khartoum	Sudanese £1.03	76	25.98	10.37	9.04	1.54	1.44	2.72	0.51
Helsinki	Markka 7.810	76	26.12	11.52	4.61	1.43	1.41	1.92	2.56
Atlanta	$1.967	74	31.88	8.13	3.30	0.81	0.56	1.65	1.35
Amman	J.Dinar 0.573	72	32.68	4.36	1.40	0.96	0.52	2.00	0.70
Sydney	A$1.7055	72	29.90	9.09	2.35	0.53	0.73	2.35	1.29
Moscow	Rouble 1.30	68	34.62	7.69	2.31	0.92 (local)	0.38	0.77	1.15
Montreal	C$2.3065	68	25.25	10.84	2.82	1.98	0.65	1.52	2.60
Hong Kong	HK$9.41	67	27.74	7.97	3.19	0.64	0.53	1.91	0.53
Athens	Drachma 72.382	66	32.12	5.18	0.69	0.83	0.48	1.18	0.83
New Delhi	I.Rupee 16.28	65	23.34	2.07	11.06	1.23	1.11	1.23	0.49
Tel Aviv	Israeli £36.89	64	27.76	8.13	1.22	0.84	0.43	1.22	1.35
Algiers	A.Dinar 7.531	64	22.04	7.97	3.98	2.66	1.06	1.99	1.33
Budapest	Forint 36.33 (tourist)	64	26.97	3.03	1.38	2.20	0.83	0.83	1.10
Dublin	£	63	27.00	8.00	2.25	0.40	0.42	1.50	1.20
Singapore	S$4.28	62	25.00	7.01	4.67	1.05	0.47	1.17	0.70
Warsaw	Zloty 62.23 (tourist)	62	26.95	3.21	5.62	0.90	0.39	1.12	0.32
Panama	Balboa 1.967	61	23.89	5.08	4.07	1.01	0.63	1.01	2.03
Jakarta	Rupiah 816.305	60	23.16	8.90	4.07	1.19	0.89	1.02	1.02
Nairobi	K.Schilling 14.6572	59	24.42	6.82	3.89	0.64	0.32	1.23	1.09
Kuala Lumpur	Ringgit 4.3025	58	20.73	3.72	9.30	0.81	0.65	0.93	0.47
Rome	Lire 1,649.25	58	25.16	8.19	0.67	0.42	0.30	1.82	1.09
Damascus	Syrian £7.7205	58	27.96	4.07	1.02	0.76	0.76	1.53	1.53
Madrid	Peseta 139.45	57	23.31	5.38	1.15	0.32	0.39	1.80	1.08
Birmingham	£	56	23.25	5.00	2.50	0.35	0.35	2.00	2.00
Vancouver	C$2.3065	56	22.98	8.24	2.17	0.56	0.35	1.30	1.95
Toronto	C$2.3065	56	22.33	7.80	2.60	0.76	0.48	1.19	1.73
Tunis	T.Dinar 0.794	54	21.10	7.00	0.70	1.50	0.35	2.00	1.00
Port of Spain	T.T.$4.7208	54	17.74	3.81	1.91	0.42	0.25	0.83	1.48
Cairo	Egypt.£1.36 (tourist)	52	23.75	3.68	2.94	0.74	0.51	1.47	0.55
Rabat	Dirham 7.70	48	18.44	4.54	1.56	0.91	0.52	2.27	1.04
Wellington	NZ$1.8547	48	18.47	8.63	2.70	0.35	0.40	1.35	1.62
Johannesburg	Rand 1.7109	48	20.16	6.14	1.84	0.32	0.35	1.61	1.46
Dar-es-Salaam	T.Schilling 14.655	48	17.74	4.78	4.78	0.82	0.52	1.71	1.36
Mexico City	Peso 44.93	43	19.36	3.34	1.22	1.11	0.40	1.12	0.67
Karachi	P.Rupee 19.4225	42	21.88	1.80	0.18	0.93	1.29	1.03	0.52
Belgrade	NewY.Dinar 36.9613	35	12.85	3.65	0.87	0.73	0.32	1.21	1.62
Colombo	SriLanka Rupee30.486	34	13.61	2.46	4.10	0.49	0.39	0.66	0.82
Lisbon	Escudo 90.45	34	12.99	4.42	0.66	1.11	0.55	0.99	0.77
Nicosia	Cyprus £0.7060	34	14.52	2.83	0.57	0.57	0.35	1.42	0.85
Salisbury	R$1.3641	33	10.70	5.50	2.02	0.59	0.27	0.92	1.47
Peking	Yuan 3.2326	32	15.93	6.19	0.77	0.12 (local)	0.15	0.77	0.77

The index is based on the sterling cost of three night's bed and breakfast and two a la carte dinners in a first class/international category hotel, one dinner in an average restaurant, three bottles of house wine, one hotel lunch, two snack meals, one 5km taxi journey, half a litre of beer and five whiskies. (There are anomalies relating to the availability of alcohol: soft drinks have been substituted for wine and spirits in Saudi Arabia and Kuwait, and for wine in Pakistan — the indices in these cases will be unavoidably low.)
In spite of changes in the sample size (66 this year, 61 last), and method, the consistency of the information is shown by comparing the rankings at the head and tail of the leagues ten of the top 15 last year are to be found there this time and the bottom 15 are similarly compatible. This year Tokyo has emerged as the most expensive business centre, slightly ahead of Paris. European and Middle Eastern cities are otherwise the chief drain on the company business travel bill.
London's ranking has risen once again. There are only ten cities where the businessman can expect to pay more for a similar stay.
Exchange rates are as published in the Financial Times on November 14, 1978.

THE sharp contrast in the cost of living in the two dominant capitals of the Far East—Tokyo and Peking—is graphically revealed in the latest Financial Times survey of those costs likely to be incurred by the travelling businessman overseas.

The new survey of 66 business centres throughout the world, based on information collected from FT correspondents overseas and published in book form later this month, has seen Tokyo move up rapidly from the 15th most expensive city to the most expensive from the businessman's point of view.

The survey shows that to stay in Peking—which is likely to be visited by an increasing number of Western businessmen following the relaxation of trade barriers—is cheaper than any other major city in the world. This is the first year that the Chinese capital has been included in the survey.

London has continued to become a more expensive place for businessmen to stay, reflecting both a rise in hotel charges and the strengthening of sterling. Two years ago, London was 38th in the world rankings and very much the "bargain basement" of Europe in terms of where it was cheapest for executives to carry out business.

Last year, however, the cost of staying in London rose sharply to push it into 14th place—just ahead of Tokyo—while this year it has just stayed outside the "top ten" but moved into 11th place.

The gap between the top and bottom of the price comparison table has again narrowed, in spite of a number of shufflings of individual positions. The index for each city is based on a three-night business trip, calculated on the cost of bed and breakfast in a first-class or international category hotel, with dinners, snacks, drinks, and taxis also taken into account.

This year the index ranged from 133 for Tokyo to 32 for Peking. Last year the spread was from 160 to 35 (Frankfurt to Nicosia) and the year before 232 to 58 (Abu Dhabi to Cyprus).

Some anomalies are bound to occur, if only because what is described as "first-class" can differ markedly from country to country.

While the increase in sterling against the U.S. dollar has meant that such cities as New York are now relatively cheaper for the UK businessman, the increase in most continental currencies against sterling has had the reverse effect. Two years ago New York was the second most expensive city in the world when London was 38th. It is in 16th position this year.

The index is based on the assumption that the business traveller normally tries to find a similar standard of accommodation wherever he goes in the world, as well as tending to eat traditional European food and buying his usual drinks rather than experimenting with foreign delicacies. But such standardisation is not, of course, possible in practice. The restaurant meal quoted in Moscow as costing £7.69 is unlikely to be the same standard as the £14.17 meal in a Paris restaurant: nor is the Israeli wine costing £1.22 a bottle likely to be of the same quality as the £14.80 bottle to be bought in Brussels (although both by local standards are considered good).

When comparing the relative overall costs of various cities—according to the index figure for each city—it is useful to note that the cost of accommodation in London accounts for a relatively higher part of the total figure. This can make prices for food and services excluding accommodation higher in some countries than would appear from the index. However, the FT book, *Living Costs Overseas*, has this year produced a breakdown of different costs. This may help companies to decide whether it is worth while investing in private accommodation in cities their executives visit frequently.

Although there is greater uniformity than ever before this year in the level of expenses that the businessman is likely to incur, the differences in standards, customs, and methods of doing business still vary substantially in different parts of the world. When compiling the guide FT correspondents were asked to provide background information on those customs about which the international traveller should be fully aware.

Most people are by now conscious of the care that must be taken in Middle Eastern countries where the Moslem religion has strict rules on eating and drinking habits. The perils of disobeying local laws concerning drink have been well publicised and are likely to act as a greater deterrent than fear of offending religious and cultural mores.

In less developed Middle Eastern and African countries, especially in areas outside the main cities, businessmen are usually advised not to flaunt their affluence, especially large foreign cars. For women business travellers the potential hazards are more numerous—with dress a particular problem area. In some countries, for example, women executives travelling alone could face difficulties getting a taxi or hiring a car.

If, however, businessmen from overseas want to come to Britain to transact business they should be aware that—apart from our own social customs—they could make substantial cost savings by staying in Birmingham, which is 49th in our survey and where the cost of staying is about half what it is in London.

"Living Costs Overseas—A Guide for Businessmen," is published this month by the Financial Times, price £40. It includes both short and long stay expenses, giving detailed costs of accommodation, domestic help, transport and communications, consumer goods and entertainment as well as general information on 66 major business centres in the world. It also provides an index of weekly and daily costs exclusive of accommodation.

Copies from the Financial Times, Book Sales Department, Minster House, Arthur Street, London EC4R 9AX.

MEN AND MATTERS

Outlook: minus two degrees

Americans are as obsessive about the weather as we on this side of the Atlantic. Their radio and TV weathermen become celebrities — one New York exponent changed his name to Storm Field as an aid to stardom. So the sad fate of "Doctor" Bob Harris has caused, as one might say, a deep depression.

Doctor Bob arrived on the bigtime weather scene two years ago. He was hired by WCBS, an all-news around-the-clock station, as resident expert. His easy, mellow style and highly accurate forecasting won such renown that last July he was hired by the New York Times to handle its weather column. In commending him to the readers, the paper stressed not merely his degree in meteorology, but his PhD in geophysics.

Last week, Doctor Bob was unmasked: he does not have any degrees at all. He was summarily dismissed by both the New York Times and WCBS. The sorry tale has some disturbing implications for the professional weather forecasters. Doctor Bob got it right at least as often as they did.

"The TGWU are better than advertising."

Spice island

A London tour operator has appealed to trading standards officials, because the Greek National Tourist Office in Regent Street has put a ban on exhibiting his publicity brochures for being "too frank." The company, Sunmed, mentioned that there are parts of Greece where nude bathing is popular; but its worst offence was in describing the island of Mykonos as being a favourite destination for homosexuals.

For the national tourist office, that was too much. The Sunmed brochures have gone under the counter, to be produced only when specifically asked for.

Sunmed, which deems itself eminently respectable, has asked the Westminster standards department for a ruling. Head-scratching has resulted: whereas action can be blithely embarked upon against companies telling lies, there is some doubt about the legal position when somebody allegedly suffers discriminations for honesty.

Sunmed's managing director, Victor Fatah, put his case to me: "The truth may put some people off, but in the end if they find they are dealing with an honest company they come back."

Wider view

Some advice on how to look at history was offered to his compatriots yesterday by Simon Wiesenthal, chief of the Jewish Documentation Centre in Vienna. Addressing a meeting in London, he urged: "We should stop talking about 6m Jews murdered by the Nazis, and talk instead of 11m people, 6m of whom were Jews." He believes that Nazism is still a menace in some parts of the world, and is too serious just to be equated with anti-semitism.

Wiesenthal is in Britain seeking support for his campaign against the proposed enactment of the Statute of Limitations in West Germany. This will end trials against former Nazis. He told me that he fears the Eastern Bloc will publish, right after the enactment, lists of war criminals they will claim to have just found. "This will be a welcome diversion from their own problems, and will create unrest in the West, where millions were victims of the Nazis or had some relative who was."

Wiesenthal forecasts gloomily: "The whole world could be affected by such accusations."

Erse entry

Money is at the root of the efforts begun last week by Sinn Fein to put up candidates at the impending elections to the European Parliament. The party, descendant of the political arm of the IRA, is appealing for funds from the Community to fight constituencies both in the Irish Republic and Northern Ireland. But it must find some way around the ruling that such funds are only available to parties with at least one representative in the current European Parliament.

A 30-strong delegation, led by Sinn Fein president Tomas Macgiolla, has visited Strasbourg to press the case for money. It also distributed a leaflet explaining its view of the EEC—which the party has castigated in the past. A main plank is that all funds currently spent on the Common Agricultural Policy should be diverted to regional and social funds a point on which Sinn Fein might get embarrassing British support.

Under the tables?

If prizes were given to public relations persons who might have expressed their messages better, one would surely go to Glenda Ward, at the Aviemore Centre in the Highlands. She is organising a rave-up for next Friday, which happens to be Australia Day—Glenda comes from Perth (the one Down Under).

"I wasn't expecting to find any other Australians when I arrived in Aviemore," she says in a handout. "But the place was crawling with them."

Better at home

A plaintive note reaches me from the offices of the *Soviet News*, ensconced in that haunt of the proletariat, South Kensington. It says that the bulletin, mouthpiece of the Soviet embassy, has not come out since November 28 "owing to an industrial dispute in which it is not directly involved."

Equally sad is an apology in the latest issue of *Labour News*, distributed late because of the rail strike and in truncated form because of problems with the printers.

One must say that *Pravda* never seems to have such troubles: there are ways in Moscow of making the comrades spread the word on time.

Nuclear notion

If the devil has the best tunes, the Left seems to come up with the best slogans. Something called the Big Red Diary 1979 (perversely, it is small and yellow) bears on its cover this message: "Better active today than radioactive tomorrow."

Knees up

In these difficult days, rest assured that the spirit of Merrie England is still being catered for. Yesterday in Blackpool, the 21st International Slipper Fair—a footwear trade show—introduced latest styles: among the cowboy boots from Spain and the feminine-fashion boots from everywhere, a Halifax firm produly displays its line in clogs for Morris dancing teams.

Observer

FINANCIAL TIMES SURVEY

Monday January 22 1979

هكذا من الأجل

ARAB CONSTRUCTION

Construction spending in the Arab world is reaching a peak in real terms. But the size of the market remains colossal—as do the operating problems—and there is now a demand for more sophisticated construction work, which favours western and Japanese contractors

ARAB CONSTRUCTION II

A big but demanding market

CONSTRUCTION IN the Arab world is no longer the explosively growing phenomenon that it was two to three years ago in the wake of the 1973-74 oil price rise. It is likely that public and private sector spending on construction rose only slightly last year and may in real terms, taking inflation into account, have declined.

In some parts of the Arab world contractors are seeing projects coming to an end, having difficulties finding new work and facing intensifying international and indigenous competition. But that does not mean that the construction cranes are standing idle in the Middle East: some cities may now look more mature than they did two years ago, but others are still vast construction sites. The sheer volume of work in progress is colossal; according to one estimate — by Plantecon Overseas Research—public and private sector spending in the Arab world excluding the Maghreb, Sudan and the Yemens last year totalled nearly $22bn. Saudi Arabia alone accounted for just over half this figure.

Spending is at a peak but the rate at which new contracts are being issued is — in the region as a whole — slowing down. The Arab construction scene is changing. While the building boom in the smaller Gulf States has undoubtedly peaked, this has yet to happen in Saudi Arabia, where public and private spending increased last year by 14 per cent, according to Plantecon. Meanwhile a construction boom is only just getting underway in North Yemen and Sudan.

Complex

As each State reaches a different stage of development the type of construction work it requires changes. Spending on basic infrastructure is slowing down in the Gulf States but is being partially replaced by technically more complex work in process plant of different kinds — in heavy industry or power stations or desalination plants. In Saudi Arabia some of the big contracts recently let or put out to tender are for such projects as the gas collection scheme in Eastern Province, the crude oil pipeline to cross the peninsula and a desalination/power generation complex for Jubail worth at least $2bn. In North Yemen and Sudan, on the other hand, the construction needs are still very basic: roads, airports, bridges, etc.

The construction boom has peaked in the Gulf States because governments virtually ran out of worthwhile projects, found the pressure of immigrant workers intolerable and found that their spending was fast catching up with or, as in the case of Oman at the entrance to the Gulf, overtaking their income. The resulting cutbacks and credit restrictions usually caused a slump in the property market, knocking the private sector construction boom on the head. So while Abu Dhabi, for instance, is spending more money than ever on its official development programme this year, it has also put a ceiling on future spending, said it will be commencing almost no new projects and has banned new private construction. Kuwait has cut its development budget by 1 per cent for the current year, a substantial drop taking inflation into account.

Saudi Arabia is different because the size of the country calls for a greater amount of infrastructure, while the financial resources are inevitably enormous. But even here there have been occasional moves to slow the rate of spending, while there were cash flow problems which affected contractors for part of 1978 (due to lower than expected oil output), and projections drawn up by Plantecon show a small drop in construction spending (in fixed price terms) by 1981. Libya appears likely to follow much the same pattern, while Iraq, where expenditure is still short of income and needs are still substantial, could continue at a high level of activity for longer.

The boom was slower to get under way in the nin-oil exporting states and the volume of construction is necessarily much smaller, but the inflow of aid and, no less important, remittances by workers in the oil States are creating their own momentum. In fact construction spending in Jordan is estimated to have been more than twice as fast that of Saudi Arabia last year.

The change in the nature of the market has naturally affected the developed countries, whose construction companies set out for the Arab world in droves after 1973-74. Some of the British companies which did so well in parts of the Gulf—especially Dubai—may now be wishing they had also gone for the even more testing but more durable Saudi market. Some British companies are leaving the region altogether—indeed about 100 companies of different nationalities have lately left Abu Dhabi. As harbour building work begins to dry up, the Dutch, witheir speciality dredging, are in some cases feeling the pinch. On the other hand West German and American companies, with their emphasis on high technology capital equipment, should benefit from the change of direction in the market.

Change

This change put some limit on the market penetration both of indigenous Arab contractors —who receive favoured treatment in most States—and Far Eastern construction companies, other than the Japanese, since the South Koreans and Taiwanese have more experience in civil works contracts rather than high technology. However, contractors from *these countries as well as from* India and Pakistan are tackling electrification work in Saudi Arabia.

Because of their lower cost structure at home and the relative cheapness and Prussian discipline of their labour, contractors from the Far East have made inroads into fields which western countries used to regard as their own preserves. There have been howls of anguish from western companies at the low bids often put in, but their is little evidence that, except in the case of the very occasional loss leader, such contracts are taken for their foreign exchange earnings rather than for profit.

"Do the Koreans make money? Sure, some of them make money," says James Nelson vice president of Bank of America in charge of construction finance in Europe, the Middle East and Africa. "It may sometimes seem a lousy price to a Western company but it's often satisfactory in the context of a Korean contractor's cost structure," he says.

With competition so intense, Arab countries are in many cases in an even stronger position to take an exacting line with contractors, and some—such as Saudi Arabia and Algeria—are becoming capable, hard driving construction managers. Saudi Arabia tends to farm out the handling of its biggest contracts to large companies — such as Bechtel, Aramco, Parsons and Fluor—who provide a surrogate bureaucracy and tend to take the lowest bid only when it meets the specifications.

The Saudi Government itself, while not switching away nl principle from either the fixed price contract or the acceptance of the lowest bid—principles almost universal in the region—i. snow inclined to hold on to the two or three lowest bidders' bid bonds and then negotiate a yet lower price, so that, as James Buchan reports from Jeddah, the final price bears little resemblance to the original bid. The fixed price contract is of course far easier to administrate than any cost plus arrangements, and whether the client is well served by the lowest bid principle depends to a large extent on how well the consulting engineers drew up the specifications.

If the Arab construction world is becoming more stable —"*mature*" *is not a word one* can easily use about a dynamic field like construction—the region is still very difficult to work in. The problems are changing, however: for example, port congestion, which *once* produced frightening uncertainty about supplies and costs, is almost everywhere a *thing of the past*. On the other hand manpower provides a continuing headache, especially in Saudi Arabia last year in the face of a clampdown on illegal immigrants, while there were also extended payment delays due to the Government's attempts to rein bacg spending to meet cash flow constraints. Contractors there are highly dependent on their bankers' understanding. The relative size of Saudi mobilisation payments has become smaller. Sometimes contractors have suffered from the capricious exercise of officials' power, sometimes, in the case of a relatively small British company, from too low a capital base.

A further problem which has emerged in the past year or so is over foreign exchange. The fall in the U.S. dollar has led to the revaluation of the Saudi riyal and the Gulf currencies, but these currencies are substantially devalued against the Deutsche Mark and the Japanese yen. Saudi contracts in particular are denominated in riyals, which has affected West German and Japanese contractors, while unforeseen foreign exchange fluctuations in general have eroded many contractors' profits.

Emphasis

With the rate at which new contracts are being issued easing, even in Saudi Arabia, it is becoming more difficult for new contestants to enter that or other markets, and such issues as the degree of financial support western countries give their contractors have become less relevant as regards the Arab world. Still, the colossal scale of some contracts has posed difficulties for banks, official credit agencies and insurers in guaranteeing the sums at stake. But the emphasis in the construction field in the Arab world is now, more than ever, on the contractor's ability to perform effectively, cope with enormous problems and make a good profit.

It was possible to make very large profits in the initial boom provided the contractor was well organised and efficient. Now, according to James Nelson, the level of profitability is "*decent*" *for* the good operator. "The company that did well in 1974-77 was the company that was *entirely self-sufficient, set up* with its own labour supplies, spare parts and food, and with its own machine shops for making repairs," he says. The skills acquired then should stand such a company in good stead for the next few years. Mr. Nelson believes that companies must be highly flexible in everything, from design to the source of supply, not necessarily automatically turning to their home base for procurement. "The successful company operating in the Middle East just *has* to think like a multinational, be globally minded—perhaps taking finance from one country, equipment from another, labour from a third, raw materials from a fourth, depending on global market conditions."

James Buxton

STRUCTURE OF THE CONSTRUCTION MARKETS IN 12 SELECTED MIDDLE EAST ECONOMIES 1977 AND 1978 PUBLIC AND PRIVATE SECTOR EXPENDITURE, IN CURRENT $m, FOR ESTIMATED

$ mil. Country	1977 New	Construction Equipment Used + Service	All	Construction Material	Other Expenditure (design, labour profits etc.)	Total Const. Expenditure	Constr. Expenditure per Capita	Population in mil.	1978 Total Expenditure	% change over 1977
Bahrain	44	14	58	120	142	320	1103	0.3	259	(19)
Egypt	148	42	190	690	833	1713	44	38.0	1182	(31)
Iran	490	185	675	2440	2190	5305	154	34.0	3873	(27)
Iraq	305	61	366	1150	1234	2750	225	12.2	3355	22
Jordan	27	8	35	135	150	320	114	2.8	422	32
Kuwait	86	21	107	425	488	1020	1020	1.0	1071	5
Libya	189	64	253	720	460	1433	562	2.5	1247	(13)
Oman	66	13	79	214	190	483	322	1.5	382	(21)
Qatar	53	10	63	210	188	461	2095	0.2	309	(33)
Saudi Arabia	841	357	1198	4290	4902	10390	1300	8.0	11845	14
Syria	54	18	72	243	315	630	79	8.0	523	(17)
UAR	225	65	290	780	890	1960	2279	0.9	1235	(37)
TOTAL	2528	858	3386	11417	11982	26785	247	109.4	25703	(4)

Plantecon define "construction expenditure" as containing "bricks and mortar" only, ie abstracting mechancial, (petro) chemical, electrical, etc., installations. Thus the monetary assessment describes (simplified), the construction industry's otal turnover in its widest sense.

Source: Plantecon Overseas (Research).

International competition

The East-West battle

TALK OF increasing competition among international civil engineering contractors throughout the Arab world is not new, but the intensity with which the battle for business is now being conducted has taken many people by surprise.

In the space of 12 months, talk of the "threat" posed by contractors from South Korea, Japan and Taiwan, has given way to first-hand accounts of contracts lost to them.

Relative newcomers to the region have apparently spared no expense or effort to pick up work previously considered beyond their capabilities—and while the better-established contractors attempt to extract comfort from their belief that the brash interlopers cannot be making any money, the new arrivals continue to clean-up.

Contractors are failing to win the type of work which, until recently, they may have been tempted to regard as their own, or at least as belonging to a small circle of specialist operators. The Dutch can speak of dredging contracts won by the Japanese, the British can tell of road or industrial plant projects snatched by the South Koreans and the Americans, too, have seen work taken from under their noses.

Any conversation with a British contractor in the Middle East inevitably centres on the strength of the competition they now confront. His comments are usually tinged with a hint of desperation which comes from knowing that his company can build just as well, if not better, and can build as fast as any competitor—but that it is left hopelessly adrift when it comes to contract price.

Threat

The South Koreans—widely regarded as the major threat to the previous order—are consistently under-bidding on a wide range of works by anything up to 25 per cent. In some cases the gap is claimed to be even greater.

As their experience grows, the Koreans are beginning to take an interest in higher technology projects and are departing more regularly from the labour-intensive schemes which until recently have been their staple diet.

Names like Hyundai, Daelim and the Korea Overseas Construction Corporation have become as common on site boards as those of any of the other major civil engineers and many contractors, including some British, no longer bother with the expensive business of bidding for work if they know a Far Eastern competitor is interested.

Now, the South Koreans seem as capable of tackling electrification programmes and oil storage plants as they do houses and sewerage projects.

The descriptions of army-type organisation and discipline are correct and few competitors have found it possible to criticise the standard and quality of their work, though recently there have been reports of some waning in enthusiasm for Korean contractors on the part of some clients.

The Koreans' competitors, with a fairly plentiful amount of wishful thinking thrown in, point out that the situation may soon change. They emphasise that much of the Asian's success stems from low labour costs and that as the economy of South Korea itself improves, these will rise steadily and remove at least some of their competitive advantage.

In addition, other contractors point out that a fairly substantial development programme at home will mean that the South Koreans, in particular, will be less able to spare the construction capacity which until now has readily been sent abroad in search of foreign earnings and labour-consuming work.

But whatever happens, the Koreans' influence is already a major factor to be confronted. According to Mr. Michael Foster-Turner, project manager on Taylor Woodrow's Sheraton complex in Bahrain, the Koreans are winning substantial volumes of business and at prices which, he reckons, make profits impossible.

"*We could do the jobs* they are taking on just as quickly, just as well and at the same price, but we want to make money.

"A lot of American consultants are moving into the region and favouring the Koreans, which also gives them a major boost," he says.

Still in Bahrain, Mr. James O'Brien of Higgs and Hill says the Koreans' programme of market penetration on the island has been impressive: "They took on the big dry dock scheme here to prove themselves and they put everything into it. They have not looked back since and now take on all types of work.

"They are apparently just as happy with smaller scale developments, such as apartment blocks, as they are with ports and harbour complexes."

It would be wrong to assume that the *South Koreans* and their other Far Eastern neighbours are the only major force in Middle East construction which are worth mentioning. The truth is that the region has attracted the biggest and the best of the international civil engineering and building world and few of the major industrialised nations are not substantially represented.

Some Western countries have long historical connections with particular Arab nations—for example, the British in the Gulf, the Americans in Saudi Arabia and the French in North Africa.

But other countries without traditionally strong links have moved in successfully on the strength of their abilities.

The West German contractors, regarded as excellent organisers, have capitalised on their close relationships with banking and industry to win some sizeable contracts, such as the Philip Holzmann-led consortium to enlarge Saudi's Dammam port complex. The Germans are also strongly represented in Libya and Iraq.

Among other nationalities ranking high in hte Middle East civil engineering league are the Yugoslavs (notably Energoprojekt which ranks among the world's top ten contractors); the Greeks (Joanna and Paraskevedes and Archirodon); the Italians (Grand du Lavori and Lenzi); and the Dutch (Bos Kalis and HBG).

Companies such as the newly-formed Volker-Stevin group of Rotterdam hope to raise their already extensive programme of activity in the Middle East region and believe their newly-enlarged management and financial capability will enable them to compete on equal terms with the biggest civil engineers.

A characteristic of many of these companies — including *some of the British contractors* —is the readiness to form consortia or joint venture operations in order to undertake some of the largest contracts. Leaders in this type of approach must be the Americans, who have concentrated an enormous proportion of their total Middle East construction effort in the biggest single market of them all—Saudi Arabia.

The American companies are able to offer the widest range of design, engineering and construction skills and all-important finance. One joint venture alone in Saudi involves names such as Bechtel, Fluor, Hudson, McDermott and Ralph M. Parsons.

Capacity

Brown and Root is working on port construction in Iraq, and Bechtel is managing a natural gas plant construction programme in Algeria.

As a measure of the Americans' capacity, it was announced just before Christmas that SABCO, the Saudi Arabian subsidiary of Bechtel, is to manage the construction of the £1.5bn Riyadh international airport. SABCO will work with three American architects in developing the 300 sq.-km. site.

U.S. contracting companies also have the advantage of being able to deal with very complex process plant which can generate *further substantial* volumes of work for related American suppliers—for example, the 1200m oil refinery contract at Jubail, in Saudi's Eastern Province, for Texaco and Socal.

But whichever nationality is involved, all the contractors in the Middle East are faced with the same long, often daunting, list of problems which make up work in the Middle East region. Apart from some tough physical conditions in areas offering poor communications and unreliable material supplies, the contractor has to confront problems of inflation, slow payments, sub-contractor risks and all the other financial, logistical and political difficulties which may or may not arise.

Mr. James Nelson, a London-based vice-president of the Bank of America who has in the past spelled out the numerous problems associated with contracting in the Middle East, recently came up with yet another potential pitfall for contractors —foreign exchange.

Mr. Nelson, whose remarks were principally *directed at the Saudi market*, *said* that recent discussions about the upheavals in world money markets and the *weakness of* the dollar had *focused* many people's attention on the problem of foreign exchange risk but that, while observers had been preoccupied with the position of the dollar, the decline of the Saudi riyal had received less attention.

Mr. Nelson pointed out that the riyal had devalued by more than 10 per cent against the Deutschmark and by 20 per cent against the Japanese yen in the past 12 months.

Mr. Nelson tells horrifying stories of contractors who have lost up to half their anticipated profits on a contract because of their failure to cover themselves against the foreign exchange risk. His advice: consider potential shifts in foreign currency rates when preparing a bid and choose a way of hedging against foreign exchange risks, possibly by arranging a forward purchase arrangement with a bank which effectively fixes the relevant exchange rates.

Michael Cassell

PROSPECTS FOR CONSTRUCTION AND EQUIPMENT SALES IN SAUDI ARABIA AND THE GULF COUNTRIES

Item	Saudi Arabia 1977	Saudi Arabia 1981	Five Arab Gulf states 1977	Five Arab Gulf states 1981
	(in U.S. $m at 1977 prices)			
Construction expenditure (public and private)	10,390	8,950	4,243	2,922
Total annual construction equipment market	1,198	1,368	710	562
Sales of new construction machinery	841	919	478	346
Parts and sales service	198	269	128	111
Used equipment sales	159	180	104	95

Source: Plantecon (Overseas) Research.

Manpower

No bed of roses

THE LABOUR market for all grades of construction workers in the Middle East is not what it was three or four years ago, with the vast influx of foreign nationals required to participate in construction projects levelling off in the wake of lower output.

The mass migration of managers, craftsmen, semi-skilled and unskilled labourers began almost immediately after the oil crisis, which lifted the development aspirations of the Arab world, exposed its weaknesses in indigenous skills and its inability to find sufficient numbers of ordinary labourers to cope with ambitious development programmes. As a result, the big recruiting drive began.

Though the situation has now eased in comparison with the early days of the boom, many of the oil-rich nations will certainly continue to rely on muti-national workforces to oversee and undertake their development.

The extent to which many Arab nations still rely on immigrant workers of one type or another is easily shown.

Dubai is beginning to gather large numbers of Asians who *are forming shanty towns of* their own. Abu Dhabi has about 40,000 labourers working in the construction industry and the population of the United Arab Emirates as a whole now comprises $20 per cent UAE citizens and 80 per cent foreigners. They are clearly not all involved in construction, though a sizeable proportion of them are directly or indirectly involved in the current phase of development.

Bahrain's construction programme has led to a trebling of the number of skilled workers and technicians to over 30,000 and Saudi Arabia is now estimated to be employing as many non-nationals as citizens of its own (about 1.28m).

To carry out its next five-year plan, Saudi may well need a further 500,000 expatriate workers by the early 1980s—creating a situation in which the country employs more foreigners than Saudi citizens.

Until recently, much of the skilled labour required for construction was provided by expatriates working for Western contractors but now Middle East countries are not relying so heavily on Western skilled labour. Neither are Western expatriates quite so keen to seek employment in the region as they were at the start of the construction boom.

The harsh environment and well-publicised social restrictions in certain countries have discouraged substantial numbers of people from participating in Middle East contracts, as has the realisation that high salaries are more than ever been offset by high living costs and substantial inflation.

To many, however, the challenge of the Middle East remains very alive. The region can still offer young managers far more responsibility than they could ever hope for at home—particularly in view of the recession confronting many domestic construction industries at present—and the opportunity to work on projects *which rarely show their heads* in any other part of the world.

Abilities

There is no doubt that the abilities and level of training of personnel in many Arab states has risen significantly in the past five years, but most still cannot provide from within their own boundaries the scale or quality of manpower resources required and, in fact, actually choose in many cases to continue to rely on the experience and expertise of outsiders.

The recruitment and organisation of labour, whilst essential to development programmes throughout the Arab world, has not however been a story of uncomplicated success.

Many client nations have become alarmed at the scale of the influx of personnel recorded in the past—their concern centring on the numbers of construction operatives pouring in rather than on managers and skilled workers—and several have already taken steps to reduce the incoming labour tide, a development which has most recently tended to happen without any outside help.

At the asme time, some governments in countries supplying labour to the Arab states have themselves begun to complain that their countrymen deserve better treatment and better conditions when they take up employment overseas.

The Indian Government, perhaps more than any other, has now imposed fairly strict conditions (when compared with the free market in Indian labour which went before) that employers must meet if they expect to receive permission to export labour.

Under their regulations, introduced early in 1978, workers must receive at least basic rates of pay for different categories of jobs, the figures set down and capable of adjustment by the Indian Government. Employers are also contractually bound to give three months' notice of redundancy; they must also provide 30 days a year paid leave and offer free medical services and furnished living accommodation to each and every one of their employees.

Free transport to and from work is also laid down as a pre-condition of employment and the employer must also ensure that a minimum 10 per cent of his employee's salary is sent home to India.

The new restrictions have been criticised internally by Indians who believe that they will simply cut off the chance of employment to large numbers of people with no other prospect of work and there is already evidence that contractors in the Gulf have been turning to alternative labour markets, such as Pakistan, Sri Lanka and Bangladesh.

But the Indian Government's concern must be considered to be justified in the light of conditions under which many labourers (not exclusively Indian) have been forced to live and work while in Arab countries.

Conditions have varied enormously, relying on standards laid down by contractors as much as by any individual government, and according to the nationality of the workers involved.

They range from the clean and comfortable to the sort of standard no Westerners would be likely to tolerate and although most major international civil engineering contractors maintain good standards of accommodation and food, few of them would expect labourers from their own countries to tolerate such conditions.

Standards

By contrast, standards for European staff seem to range from good to excellent, with many employers providing a range of facilities equal to any at home, defying the conditions and location in which people often have to work.

The construction labour market has also been a target for unscrupulous agents whose sole concern has been to make quick profits for themselves, often leaving large numbers of defenceless and naive immigrant workers without the work they were promised and with no way of getting home.

It is true that this somewhat distasteful aspect of the international labour scene has more recently improved. With the rush to assemble and ship as many workers as possible to nations desperately short of manpower now over—Indian agents, for example, now send a few hundred at a time, although recruits were once counted in thousands—the situation now bears little resemblance to the one which existed a short time ago.

Much of the labour force is still, however, imported by individual contractors. Some, such as the South Koreans, Cypriots and Greeks prefer to bring their own labour with them from home and to maintain a military-style working regime while others import operatives from beyond their national boundaries.

The by-now familiar South Koreans, in particular, have an immense reserve of skilled manpower available for work in the Middle East. Skilled workers have been trained through Government work and the army itself which produces about 5,000 trained workers each year.

The Korean Overseas Development Corporation and the South Korean army release volunteers willing to work on construction projects abroad. They are offered an early discharge, trained and organised into disciplined and efficient teams and live in construction camp sites not unlike the ones they left behind at home. During the early 1980s, Korea says it hopes to export as many as 500,000 workers to the Gulf region.

The pattern is not quite so clearly mapped out for the Western contractors, who generally prefer to employ a mix of nationals and non-nationals, although management recruiting is usually (though not always) restricted to their home country.

Michael Cassell

Consultants

Little room for complacency

IF BRITISH contractors have made a name for themselves throughout the Arab world, the efforts of UK consultants associated with construction work have been no less successful or noticeable.

In 1977-78, the earnings of professions related to overseas construction, such as consulting engineers, architects and surveyors, reached an estimated £380m against a figure of little more than £30m at the start of this decade. Overseas work in hand on which UK consultancy services are involved has now topped the £25bn mark and their operations have a significant effect on this country's balance of payments.

Inevitably, much of their effort has in the past few years been directed at the Middle East, where home-bred design and consultancy skills have been as thin on the ground as first-class contracting ability.

The British have, in many respects, capitalised well on some long-standing and friendly relationships with certain Arab states and they have often been instrumental in ensuring that developing countries have chosen to adopt the best of British standards, practices and philosophy, all well-tried and tested in the home market.

British consultants have done particularly well in the United Arab Emirates and Saudi Arabia and have more recently become a significant force in Iraq—where at least two dozen architectural practices are now *working*.

In the consultancy field, UK practices have been particularly strong in the development of health and education facilities, the planning of new towns, commercial centres, shopping complexes and markets, offices and housing.

Extended

The largest consultants have built up large teams of personnel, experienced in every aspect of planning for every type of construction project.

Now, as basic infrastructure builds up in many client countries, the consultants' work is being extended more regularly to include recreation, sport and leisure facilities.

As a result of rapid urbanisation, many Middle Eastern countries are showing increasing interest in this type of development and the British consultant has again been winning some significant business in this area.

Britain is not alone, however, in providing the full range of consultancy services and, as with the contractors again, competition is now at its peak. French and Italian consultants have been very successful in North African markets because *of their traditional links in the* region, while U.S. consultants predominate in Saudi Arabia, specialising in defence projects, oil-associated developments and multi-discipline package deals, such as international airport design—for example, the £1.5bn Riyadh airport contract which has just gone to SABCO, a Bechtel subsidiary.

Neither should UK consultants become complacent because of their previous good record, according to a report published towards the end of 1978 by the National Economic Development Office.

The report gave a big pat on the back to British design and consultancy services for their overseas efforts and pointed out that the bulk of their workload today actually comes from overseas. But it also stressed the tough nature of the competition they faced and made several recommendations which it believed could help maintain and improve their position.

In the words of the report "the overseas market situation has enormous variety, not least because it is continually changing.

"In particular, each client country is different, not only in stability, language, customs and receptiveness to British *people, but in the conditions of* contract it imposes, methods of negotiating and appointment, costs of working, credit-worthiness, visa restrictions and credit controls."

Among its recommendations, the NEDO report said that public and private sector design organisations should increase co-operation in promoting the export of British design services and facilities and that, where appropriate, national export marketing organisations should be established to bring together manufacturing, civil contractors and consultancy services.

The report cited examples such as France, West Germany, Holland and Japan, which, it claimed, had progressed much further in adopting an "umbrella approach" to winning export work. In contrast, it said, the UK style remained "individualistic."

It reaffirmed its belief in the value of individual enterprise and the impartial service provided by consultants but emphasised the important role to be played by concerted effort in exploiting the UK's export opportunities, especially where British expertise in design and operation was divided between different organisations.

As the report pointed out, the presence of British consultants *overseas is, despite their im*partiality, beneficial to exports by UK contractors and manufacturers as they make market information available and provide opportunity or encouragement which might be denied if consultants of other nationalities had been engaged.

A recent report from the Economist Intelligence Unit shows that the type of back-up assistance available to consultancy services varies widely according to their country of origin, as is the case with contractors.

Difficulty

Help can range from direct promotional activity at Government level (monetary, diplomatic and political), which happens in the U.S., France, West Germany, Japan and South Korea, to personal pressure by well-established local contacts.

As the report pointed out, one problem in following up work in the Middle East is the difficulty of knowing to what extent other consultants are being sponsored. Some Western Governments and countries, such as Japan, give more positive and direct aid to their consultants than Britain.

The French Government, in particular, may openly favour *the sponsorship of one particu*lar firm of consultants to another.

The UK's policy, for consultants and contractors alike, has been to provide the same information and guidance for all and let them follow leads by themselves.

Assistance and advice is also provided by the British Consultants' Bureau for companies wishing to take on overseas projects. Some 200 of the largest UK consulting firms are members, many of whom are working in the Middle East.

Although the Arab countries offer opportunities mainly for the large and preferably multi-disciplined firms, there are in addition many relatively small consultancies and individual consultants participating in the market.

Numerous architectural competitions, for example, have helped a number of small practices to establish a foot in the door and one project in the Middle East has invariably led to more work.

M.C.

ARAB CONSTRUCTION IV

The UK contribution

Top export field

THOUGH THERE seems little doubt that British building and civil engineering contractors are finding life inthe Gulf tougher than ever before, the region continues to provide them with the bulk of their overseas work.

In the 12 months ending in March, 1978, British contruction companies won overseas work valued at about £1.92bn, of which no less than £1.02bn came from the markets of the Middle East.

Only five years ago before, the value of orders carried out in the region by UK contractors was running at around £75m a year.

The value of work actually carried out in the Middle East reached £802m, half of all overseas contracts undertaken. At the same time, the value of work outstanding in the region stood at £1.18bn, representing a major slice of the £2.3bn of all overseas work in hand at the end of March.

Contractors have been successful in winning work in virtually all of the Gulf states, from Iraq, Bahrain and Qatar to the United Arab Emirates, North and South Yemen, the Sudan and Saudi Arabia. For the British, the main markets have been the UAE, Saudi Arabia and (in the non-Arab world) Iran and while the volume of business in some states has been declining, compensation has come in the shape of new opportunities in countries like Egypt.

A brief list of some of the latest announcements of work involving UK companies and Middle East clients is sufficient to dispel any theories that the pipeline of work has slowed to a trickle.

John Laing International has recently won a £12.5m contract with the Arab Organisation for Industrialisation to build a helicopter production plant near Cairo; G. and T. Construction, the joint venture operation between Tarmac International and the Dubai-based Ghurair Group has won a £7.3m road contract in Abu Dhabi, while Bovis has beaten the field to win a £15m contract from the Saudi Arabian Government for schools and warehousing in Riyadh.

Other contracts involving UK companies and already under way include the £35m Cairo Plaza project, being built (under a management fee agreement) by Higgs and Hill; the £20m Sheraton Hotel and shopping complex in Bahrain, being built by Taylor Woodrow; and the £50m Dubai Corniche development, involving Cementation International, which is working jointly with local contractor, Galadari.

Laing Wimpey Alireza is engaged on the £22½m project to develop the Saudi Arabian civil airport at Abha; Costain International and Amey Roadstone are building a new airport at Hodeidah in the Yemen Arab Republic and Bernard Sunley has won a £14m contract to build a residential complex for the Abu Dhabi National Oil Company.

Tarmac is making progress on its ambitious Suez tunnel project while all the other familiar names in British civil engineering, such as Taylor Woodrow, Mowlem, Lesser, Douglas, Fairclough, Balfour Beatty and Marples Ridgway are engaged on projects of varying types and sizes throughout the Arab world and its neighbouring countries.

The story is not, however, one of never-ending success. From time to time, the pitfalls of working under a different set of rules for various types of client and in markets which have little or nothing in common with the UK are dramatically highlighted.

Nowhere are conditions—both contractual and physical—more challenging and potentially troublesome than in the largest Middle East market of them all, Saudi Arabia. Until now, many British contractors have shied away from too heavy a commitment in the country which overshadows all its neighbours in terms of proposed development expenditure—or alternatively have found it impossible to put a foot in the door—and recent events will not have encouraged many of them to step up their efforts to penetrate this particular market.

Streeters of Godalming, the Surrey-based specialist in sewerage works and pipeline laying, is the latest British contractor to withdraw from Saudi after a period of troubled trading. A hoped-for profit centre instead provided substantial losses and the company decided to leave Saudi to other competitors.

Earlier in the year, Higgs and Hill said it intended to pull out of Saudi Arabia and the Midlands-based civil engineering group, Bryant Holdings, was forced to announce provisions of over £2m against losses incurred by its associate operation, Al-Aziziah Bryant Construction.

Bryant, which encountered problems over communications and staff mobility, says it it will be thinking very hard before it takes on any more work in Saudi Arabia.

The fact is, however, that the contractor wishing to work in the Middle East now has fewer options than in the past. Contracts are still available throughout the region and in numbers which underline the scarcity of domestic work confronting UK contractors, but projects are not as plentiful as two or three years ago and there are now many more competitors in the field.

For the moment, the situation for UK contractors is not generally too acute. Many of the largest operators are working on contracts which have some time to run before completion and some—as already mentioned—are managing to win new and sizeable projects which will ensure their presence in the region for the medium-term future.

But there is no doubt that the prospects for most contractors are now much less buoyant with client nations continuing to restrain construction expenditure in the wake of the sepnding boom which characterised the early part of the 1970s.

While "jumbo" contracts are still coming through the pipeline—airport development remains an active area, along with second-tier industrial projects—many Middle East regions which have traditionally offered most work now find themselves at a fairly advanced stage of development. With much basic infrastructure now complete, the scope for further major works is slowly but steadily reducing.

Contractors are also having to face the prospect of local contracting operations becoming serious competitors for work which, until recently, they would not have been able to contemplate. This type of competition is not as yet presenting any major problems for the large international contractors—though a growing proportion of smaller scale building work may in future go this way—but the growth of domestic contractors in Arab markets will certainly not help at a time when international competition has also reached a new peak.

The state of the market in the United Arab Emirates provides a good example of how circumstances have changed. A traditionally good market for British construction, the Emirates today represent a somewhat different picture, with much of the basic civil engineering work completed or well under way and the opportunities for new work of any consequence thin on the ground.

In Dubai, for example, where British companies have long been favoured, the level of construction work has now levelled out. Development expenditure is set to decline over the next couple of years and contractors are having to look hard for new contracts as they conclude existing projects.

Mr. Samir Said, of Costain International in Dubai, says that for the past two or three years many contractors have treated states such as Dubai and Abu Dhabi as bonanza towns "without doing their homework."

"While the work was plentiful they managed to pick up contracts and justify their presence here but now the market is jaded and many of them are sitting around waiting to pick up any crumbs which come their way. Some are, without question, taking on work which is unprofitable simply in order to maintain their operations here.

"In Dubai, the type of infrastructure which was unthinkable five years ago has now been provided and you almost have the feeling you are in Europe. British contractors still have the lion's share of what work is available here and the close bond with the British remains, although I am afraid it is now being very heavily strained."

Whether or not the UK contractors continue to notch up the contract successes of the past will depend on their ability to anticipate changing trends in the pattern of demand, to maintain competitive tender prices and to complete work on schedule. The goodwill which has, in the past, served them so well in parts of the Middle East will not alone be sufficient to preserve for contractors the market shares to which they have become accustomed.

Michael Cassell

Contract terms

The labyrinth of conditions

IN RECENT years concern at the onerous contract conditions imposed on contractors by Arab countries has become a familiar theme, underlining both the seriousness of the problems and the difficulties experienced by contractors in trying to resolve them. Figures recently collected by the Fédération Internationale Européanne de la Construction provide an interesting comparison between the values of building and civil engineering work undertaken by European contractors in the year 1977 (the latest available).

Although UK contractors gained the greatest amount of work on a world-wide basis — close on $4bn — they came a poor third with $688m of work in the Middle East. Here West Germany took the largest share, $1.9bn out of a world-wide total of $3.7bn. Italy took just over $1bn out of a world-wide total of $3.7bn. While the above figures indicate that UK contractors have a better spread of business than their Continental counter-parts, they may also be an indication of a greater reluctance to accept the onerous liabilities imposed on them by the terms of contracts in the Middle East.

Although the international conditions approved by the Fédération Internationale des Ingenieurs—Conseils (FIDIC) often form the basis for such contracts, they may be drastically altered to suit the convenience of employers. A prime area of concern is the continuing insistence on fixed-price contracts in most countries, and local rates of inflation cause considerable difficulties. The protection of schemes offered by some national export credit insurance organisations — such as the Export Credits Guarantee Department (ECGD) in the UK and the Compagnie Francaise d'Assurance pour le Commercie Exterieure (COFACE) in France—is generally restricted to domestic inflation and is therefore inapplicable to most contractors.

It is sometimes possible to minimise the effects of local inflation by denominating the contract, in say, sterling or dollars, but the uncertainties of exchange rate fluctuations still leave the contractor exposed. This risk increases if, for example, the contractor is unable to match the currency of payment to his sub-contractors to that in which he himself is paid. Other employers may, however, insist that contracts be denominated in local currency.

Experience among contractors does vary and some have successfully negotiated escalation clauses or cost-plus contracts; for example, escalation was allowed in the Dubai Dry Dock contract undertaken by Costains and Taylor Woodrow. Much seems to depend on the strength of the links established by the contractor in the particular country.

Even so, it can be difficult to establish an agreed and accurate set of indices. In some fields, such as dredging, contracts based on bills of quanties with unit rates are more common. Contractors are now more or less likely to get away with the ploy of relying on variation orders to make up for previous underestimates of cost.

After the problem of costing, perhaps the greatest difficult facing contractors is funding the difference between theory and practice in the matter of payment. Generally the terms of payment set out in Arab contracts, including the forms of security, theoretically provide the contractor with a reasonable cash flow. For mobilisation, a down-payment of 10 per cent or 20 per cent of contract value is usual; some employers now prefer to supply the construction equipment in lieu of payment, although its quality cannot alweays be relied upon.

In the course of work, contracts generally provide payments against shipment or monthly progress certificates; subject only to the deduction of a pro-rata proportion of the advance payment and of a retention. Whether the employer is paying cash or receiving credit should make little difference to the contractor, by the nature of most supplier or buyer credit mechanisms.

In few countries, however, in the Middle East and North Africa is the administration equal to its task. In some instances, such as in Algeria, bureaucratic delays seem designed to ration scarce foreign exchange. Not even Saudi Arabia is free of these problems—a recent budgetry re-allocation virtually deprived the Ministry of Agriculture and Water of funds and one UK contractor faces an unexpected deficit of many millions of pounds. This problem is compounded by the fact that Saudi contracts do not allow a contractor the right to stop work.

Although ECGD protects UK exporters against proven default, and against a governmental embargo on the remittance of foreign exchange, such as exists in Sudan, it is reluctant to countenance an open-ended aggregation of debt, as in the Saudi case. Furthermore, administrative delays in certifying payment make it difficult for contractors to establish a proven debt. In such circumstances the benefits of ECGD cover are less certain and indeed most UK contractors do not insure w ith ECGD, except to gain access thereby to the preferential fixed interest rates for credit contracts or to the bond facilities. ECGD is, however, expected shortly to issue its credit insurance policy for the constructional industry in a revised form, and it remains to

CONTINUED ON NEXT PAGE

Saudi Arabia

Bidding becomes more competitive

LAST YEAR was not an easy one for contractors in Saudi Arabia. New regulations on the employment of immigrant workers and a recrudescence of the debate on women's labour severely disrupted the labour market at mid-year. At the same time, budgetary restraints announced at the beginning of June to curb inflation and eliminate waste in government spending further held up payments on Government contracts beyond the usual delays of bureaucratic bottlenecks and holidays.

With Government contracts—and these make up the bulk of the industry's work valued last year at SR60bn—the difference between a profit and a hefty loss depends now not so much on access to supplies but on disciplined skilled labour and an understanding banker. "We used to tell contractors they needed three months cover to operate here," one Citibank expert said in Jeddah recently. "We now say six months at the least."

While the Government continued to award major contracts in 1978, and the non-oil sector of GDP registered a growth rate of 17 per cent, contractors noted an increasing toughness on the Government's part in the tender negotiations and in releasing payments.

In fact, Saudi Arabia has proved much more thirsty for oil revenue than most analysts predicted, and low oil production levels in the first three quarters of the year led to something of a squeeze. At the beginning of the financial year in June, the Finance Minister told ministries they could not spend more than 70 per cent of their allocations without referring back to his ministry. With as much as half of the project budgets of most ministries taken up in recurrent payments, there was a slowdown in the agreeing of new contracts and some scaling back of existing ones. Bankers even report Finance Ministry moves to introduce a monthly budgetary system for ministries.

Contractors' horror stories abound—three Italian road building companies say they have not been paid since last April—but a sense of Government priorities has at least emerged. The Government appears keen to get all construction for the major Five-Year Plan projects started before the end of the period in 1980, while less crucial ancillary construction is being scaled down or held back.

Awarded

Of the major projects awarded in 1978, the most vital are for infrastructure for the heavy industry on which the kingdom's future prosperity is seen to rest — notably, the $400m crude pipeline and $100m NGL line across the Arabian peninsula to Yanbu and work for the gas collection system, which was given unprecedented access in the autumn to state reserves; defence projects, particularly a $413m telecommunications system for the National Guard, awarded to Cable and Wireless of the UK, and a $113m training academy, also for the National Guard, let to a German company; projects of measurable social benefit, including a $344m television station to a German contractor and regional sports complexes to German and Swedish companies; $211m public hospitals to an Italian contractor; more than $2bn of housing to Korean companies; and port improvement, including a SR671m ship-repair yard at Jeddah to a Saudi-British-Swiss consortium.

In contracting procedure, the major change in 1978 has occurred in the advance or mobilisation payment. The original 20 per cent payment—double the practice in most other countries—has become a maximum rather than a rule. At the same time, the 20 per cent extra work required from the contractor in the contract terms has not been included in the budget and the contractor may sometimes have to wait until completion for the payment.

In fact, contractors report that the whole business has become even more competitive. All but the largest Government contracts are fixed-price, but the final awards now tend to bear little relation to the bids. More and more, ministries are holding on to two or three of the lowest bid bonds (one per cent of contract price) and bargaining for a reduction in the price.

Bids for the vast new campus for Riyadh University were opened at the end of May, but although a consortium of Bouyues of France and Blout of Alabama put in a low bid of $3.4bn, reported close to the consultants' estimate, the contract has still not been awarded and a Saudi-British joint venture and a German consortium are said to be still in the running.

Although the chances of the Government calling either the 10 per cent performance bond or the advance payment guarantee are minimal — no performance bond has even been held since 1975 — payments delays and international currency fluctuations, which have particularly affected West German and Japanese companies, have made contractors acutely conscious of the need for cover.

Some of the perils of Government contracting were shown in mid-November, when King Khaled returned from convalescence abroad. The sudden announcement of a three-day holiday, so soon after the Pilgrimage break, took the Saudi Arabian Monetary Agency by surprise. Already disorganised by its move to Riyadh at the end of the previous month, SAMA refused to pay out claims for deposits from local banks and stopped issuing contract payments. The demand for riyals pushed interest rates up from 7½ per cent to 60 per cent for overnight money and from 3½ per cent to 35 per cent for three-month riyals.

By mid-December, interest rates had subsided and payments to contractors resumed, but the whole affair could only confirm the doubts of foreign banks over the excessive risks of Saudi contracting. And with local banks mainly occupied with trade financing, many contractors are obliged to resort to the international capital market both for the bonding and operations finance.

Hampered

In this respect, British and U.S. companies may be worse off than their counterparts in West Germany and certainly than their Far East competitors. They are also hampered in that, apart from the large companies like Laing, Wimpey and Tarmac International, already well established, they suffer from a narrow asset base. A small British company, Streeters of Godalming, ran into difficulties in the summer when searching for a second project to make up probable losses on a difficult and disagreeable job—sewage pipe laying in downtown Jeddah. When the second project was scaled back for budgetary reasons, Streeters was obliged to hand over its Saudi operation to its Saudi partners. Another medium-size firm, Higgs and Hill, had to pull out entirely when a hotel contract was re-scheduled.

Against this, foreign contractors can count a radical improvement in the supply of cement and construction materials and, after the panic of the summer clampdown, in the labour market.

With the clearing of the congestion at the ports through 1977 and early 1978, cement has become much cheaper with the large Saudi merchant houses turning increasingly to bulk imports. Hisham Alireza's Arabian Bulk Trade intends to import 1m tons of Japanese bulk cement in 1979. Considerable domestic capacity for construction materials is planned, notably an 800,000 tons a year direct reduction steel mill for which an agreement with the West German company Korf Stahl is due to be signed very shortly. At the same time, the large U.S. project managers, Aramco in the Eastern Province, Ralph M. Parsons at Yanbu and Bechtel at Jubail, are playing a large role in the procurement of standardised materials, which seems to be bringing order to the regional industry.

With the announcement of a clampdown on the illegal labourers in May, a large proportion of the labour force immediately went "underground." Building workers became scarce and expensive and day wages climbed from about SR 35 to SR 85 in Jeddah. But with the successful legalisation of about 110,000 labourers and the influx of more, and legal, Yemenis because of the unrest in South Arabia, rates fell to SR 50 for regular workers and SR 65 for casual workers.

In the country, the soft housing loans available from the Real Estate Development Fund continue to have an impact in encouraging private house building, and a Yemeni builder working off the main road can earn anything up to £50 a day.

For contracts over $30m in value, contractors must be responsible for importing their own labour, and countries with a ready supply of cheap skilled labour, particularly South Korea and Taiwan, have done extremely well. Korean contractors have profited from access to Government guarantees and domestic experience of infrastructure construction — Korea is on its fourth five-year plan. But it is the quality of the labour that is crucial. Eighty per cent of the 30,000 Koreans in Saudi Arabia have done military service, and their discipline and conscientiousness remains a continual source of wonder to Saudis and foreigners.

Sophisticated

While two years ago the more complex construction jobs involving sophisticated plant and machinery might have been awarded to companies from the industrial world, Korean, Taiwanese, Indian and Pakistani companies have shown themselves capable of undertaking electrification schemes. As such basic infrastructure work as roads, bridges and housing gets under way, Korean companies in particular are looking to the future, and the Korean Overseas Construction Corporation, which represents the Korean industry, has set up an office in London to look for European joint venture partners for more complex projects. Hyundai is already involved in providing the labour element in a consortium led by Kraftwerk Union bidding for the Al-Khobar 11 desalination plant.

Apart from the $2bn housing work, which includes provision of services (in contrast to the almost certainly disastrous Jeddah and Dammam housing programme now under construction by French and Dutch companies), the Koreans are also picking up a great deal of work from the U.S. Corps of Engineers, which is managing construction for the Ministry of Defence and Aviation and the National Guard. The corps has about $5bn in work under contract and another $4bn approved chiefly in housing at the military cities at Tabuk and Hafr Al-Baten, which together with its supply port at Ras Mishab, to which four berths will be added this year, may eventually cost over $25bn.

While contractors agree th[illegible] there is little or no delay in awards or payments for defence-related work—and that includes a great deal of school and hospital building—other big projects in 1979 may experience some delay. The causeway to Bahrain, for example, seems to have been relegated to a fairly low priority. Other major projects expected shortly are the terminal buildings at Riyadh airport, Riyadh University, a palace complex in the Eastern Province called Sunrise City and towards the end of the year a great deal of infrastructure work at Jubail and Yanbu.

At the industrial complexes, many of the housing and site clearing projects have been broken down to give opportunities to Saudi contractors as part of the Government policy, in Prince Fahd's words "of encouraging Saudi contractors by giving them precedence in the execution of Government work." At Jubail, for example, companies 90-100 per cent Saudi owned received SR 176m in awards in the first eight months of last year. While Saudi companies may not be in the running for any of the major Royal Commission projects, for example Jubail Airport, or for the heavy industrial facilities still some way away, they are likely to find increasing opportunities in support construction.

In fact, 1978 has seen consolidation of the local industry after the housing boom three years ago. Fierce competition has driven many of the smaller contractors out of business, and construction standards have improved out of recognition. Speculative building has all but stopped in Jeddah—the Mayor has vowed action on the 50,000 empty apartments in the city—but housing and office construction is going on apace in Riyadh and the Eastern Province and around the military cities.

With the prospect of an increasing role for Saudi companies, many foreign companies here feel the "finalists" are already established, and any new contractor outside high technology areas is likely to find it an uphill struggle. Competent Saudi agents or joint venture partners are proving harder to find, and any newcomer would be likely to lose out on its first contract. Although there might be better prospects on subsequent orders, losses in Saudi Arabia tend to be as large as possible profits.

James Buchan

Labyrinth

CONTINUED FROM PREVIOUS PAGE

be seen whether the new cover will prove more attractive to contractors.

The provision of bonds or bank guarantees remains a major problem for many UK contractors. Such guarantees may be required first to support bids, for which the bond percentages range from 1 per cent for Government contracts in Saudi Arabia to 5 per cent in Iraq, secondly as security against advance payments, which are generally around 20 per cent of contract value, and thirdly to guarantee performance of the contract as a whole, for which bonds of 5 per cent or 10 per cent of contract value are most common. Bonds to secure the release of retention monies or to guarantee warranty obligations may also be required. In the Middle East such guarantees are provided almost exclusively by banks, which issue them only against the security of the counter-indemnity from the contractor or another acceptable third party.

But since the asset bases of many companies have not increased at the same rate as contract values in the Middle East, contractors have found it increasingly difficult, without outside support, to obtain adequate bonding facilities from their bankers. Such support has, however, been forthcoming in the UK from ECGD, which is prepared to take a necessarily more generous view of a contractor's balance sheet and his ability to perform the contract. The exporter's counter-indemnity is given to ECGD, which issues its own indemnity to the bank, which is thus enabled in turn to issue the bond.

This support facility is, however, available only for cash contracts with Government buyers, with a minimum contract value of £500,000; it is not available for contracts on credit terms, such as are commonly found in Algeria, Egypt and parts of the Gulf. Contractors also complain, operating as they do on the slimmest of margins, at the cost of bond support, which is 1.25 per cent per annum on the bond amount, plus the cos tof the basic ECGD credit insurance which is a prerequisite.

Additional risk, however, lies in the wording of such bonds, which in the Middle East are almost invariably encashable "on demand" and without contestation, irrespective therefore of the performance of the contractor. Although the risk of a wholesale calling of the bonds must be slight, the well-known but only example being that of Colonel Gaddafy in Libya in 1969—there is evidence that employers in the Middle East are increasingly aware of the power of the "on demand" bond as a bargaining weapon in any contractual dispute.

Protection

Most export credit schemes now offer protection against the "unfair" calling of such "on demand" bonds—the ECGD scheme for example costs 0.50 per cent per annum on the bond value, with underlying credit insurance again being a prerequisite—but the value of the cover is difficult to assess in any dispute over the contractors performance. Lloyd's Underwriters offer similar cover to contractors of all nationalities, but their policies provide for reference of disputes to independent arbitration in London.

In the few cases where UK exporters have challenged the calling of an "on demand" bond, they have done so by obtaining an injunction against the UK bank preventing it from fulfilling its counter-guarantee to the local bank who issued the bond. The cases of Edward Owen Engineering in Libya and R. D. Harbottle in Egypt are two prime examples in recent years. In each case, however, the banks successfully appealed against the injunction, which now can only be regarded as a delaying tactic.

In fact one result has been that since November, 1978, no UK bank has been able to counter-guarantee any Libyan bank, as the Libyan Government has specified a counter-guarantee wording that seeks to exclude the effect of any injunction or garnishee order issued by a UK court, thus imposing a condition with which no UK bank can comply. They have therefore been forced either to follow the example of American banks (which are not permitted by U.S. law to issue bonds) and issue stand-by letters of credit, or in one instance to involve an intermediate bank outside the U.K.

Further risk, and an additional strain on bonding facilities, results from the pratice of many countries, notably Syria, which specify either a very long (say ten years) or indefinite validity for bonds, irrespective of any expiry date stated therein. Similar liability periods may be imposed by the laws of Egypt and Saudi Arabia for the design and safety of construction work as a whole.

Where disputes arise, contractors face certain difficulties as contracts in the Middle East are subject to both local law and local arbitration. Few contractors, for example, feel at ease with the Moslem Shariah Law under which the Saudi Grievance Board operates, although its decisions have generally been regarded as equitable. Another difficulty lies in the Kuwaiti Code of Civil Procedure, which provides that arbitration awards should be made within a three-month period, unless the parties agree to an extensions; at least one UK exporter has found himself time-barred, with his Kuwaiti employer refusing an extension.

There are two continuing features of contracting in the Arab World which compound all these problems. First, in order to cope with the vast size and complexity of major projects, for which the management capability is still rarely found in the Midde East, it has been found necessary to form consortia or joint ventures, which in themselves, imposed on their constituent members joint and several liability for the total project.

UK contractors, with some notable exceptions, have generally been either unwilling or unable to accept such risks as the insolvency of their partners or their failure to perform. Although ECGD introduced two schemes intended to cover these risks — project participants insolvency cover for contracts in excess of £50m., neither has yet been used, being regarded as inadequate in scope and too expensive.

Secondly (and associated with the first point), it is frequently necessary or expedient to form a local company in partnership with a local contractor or investor. Where the UK company has a minority shareholding or otherwise lacks effective control, it not only runs all the risks implicit in being controlled by a partner who is likely to place his own national interest first, but it may also be deprived of all ECGD's protective facilities as a result. Whether ECGD is eventually able to compromise with such seemingly inevitable developments of nationalistic tendencies remains to be seen.

Nigel A. Alington
Credit Insurance Association

ARAB CONSTRUCTION VI

Algeria

Major energy projects

ALGERIA AND Europe are destined to become important trading partners. The many major agreements to import Algerian natural gas that European countries have signed in the last year ensure that by 1985 Algeria will be one of Europe's main energy suppliers.

The significance of this development has not been lost on many European contractors who, despite the reputed difficulty of the market and the preconception that only the French can do business there, have been quick to recognise Algeria's potential. Many, like their Japanese and U.S. counterparts, are attracted by a market which is growing while other Middle East markets may have peaked.

Algeria is the tenth largest country in the world and bigger than Saudi Arabia. It has a population of 17m, oil, minerals and the world's fourth largest natural gas reserves. Its development programme is ambitious, providing opportunities in almost every sector, and it has a high annual investment rate.

Local state companies are able to do much of the basic construction work and like to supply materials to foreign companies and to work with them where possible. But they turn to foreign companies for expertise in advanced technology, such as that used in the huge natural gas liquefaction plants being built on the Mediterranean at Arzew and Skikda.

Most investment—and the biggest projects—are in the oil and gas industry. American and Japanese companies whose Governments are able to provide the large amounts of finance required for these projects, are most active here, and it is unlikely that European companies will rival their predominance. The U.S. Export-Import Bank (Eximbank) has shown strong interest in Algeria in the past year, providing loans worth about $500m, one of which enabled Fluor, a newcomer to Algeria, to win the $336m contract to construct the Al-Rar gas recycling plant. Another big contract in this sector, worth about $622m, has just been awarded to Japan's Ishikawajima-Harima Heavy Industries (IHI) and C. Itoh for a 4m-tonnes-a-year liquefied petroleum gas (LPG) plant at Arzew.

But the U.S. and Japan do not have things all their own way, and the most expensive contract, in terms of investment, to be awarded last year went to Canadian Bechtel. The contract, worth an estimated $626m, is to develop the Rhourde Nouss gas field. The company probably benefited from its links with Bechtel International Corporation of the U.S., which is well established in Algeria, having built the first major LNG plant, Arzew 1, opened in February. But the strong financial backing from Canada's Export Development Corporation undoubtedly played a part.

Provision of finance is a crucial factor in winning contracts in Algeria whose oil revenues are not alone enough to pay for all development. Revenues *should gradually* increase now that LNG is being supplied to the U.S. from Arzew 1, but they are not expected to be substantial until about 1984.

The sector of the oil and gas industry in which European firms have had most success is in pipeline construction. This is a major item in Algeria because the oil and gas fields are so far from the coast. The Dutch firm Nacap, a member of the Bos Kalis Westminster Group, last year won two contracts, worth a total of about $200m, to build two pipelines from the Hassi Rmel gas field to Arzew.

Pipeline

Saipem, a subsidiary of Italy's state holding company Ente Nazionale Idrocarburi (ENI) is to build the 550km Algerian section of the huge Algeria-Italy natural gas pipeline. The decision, in October, 1977, to go ahead with this project, in itself a major feat of engineering, is perhaps the single most significant development in Algerian-European relations in the past two years. When completed in 1981, the pipeline will be an irrevocable link between the two since it will supply not only Italy but other parts of Europe through a connection with the European supply network from north Italy. Saipem was awarded another contract at the same time, to build a 630km 30-inch diameter pipeline from the In Amenas field.

Italy has seen that this interdependence can be mutually beneficial, and it is no accident that many Italian companies, especially ENI subsidiaries, have won contracts in the past two years to build textile plants, chemical plants and houses. Fiat is interested in the proposed Oran car plant, and Pirelli, with West Germany's Krupp, has signed a provisional agreement to build a tyre plant at Bouira for the state hydrocarbons concern Sonatrach.

West Germany is now Algeria's second most important supplier after France and its position is bound to strengthen now that Deutsche BP has joined those West German companies who have contracted to buy Algerian gas. Algeria, perhaps more than most developing countries, prefers to buy where it can sell, so it will be correspondingly keener to look to West Germany.

West German companies are most active in the mechanical industry, where they have a virtual monopoly. The last important contract in this sector to go to a West German concern was awarded in 1976 (to Liebherr for a construction equipment manufacturing plant at Ain Smara), but there were many earlier ones. More recently Demag, in a consortium with Japan's Kawasaki Heavy Industries and C. Itoh, won the contract to extend the El Hadjar steelworks.

The steel and construction materials' industries now receive the next biggest slices of investment, after the oil and gas industry. There are two major steel projects—the Jijel steelworks, involving a port and railway and a larger works planned, possibly at La Macta, for which Nippon Steel and Bechtel are doing studies. When these projects go ahead will depend largely on the availability of finance and on options in the next plan, since there is now considerable debate on whether more investment should be put into light industry, social sectors and agriculture.

Housing is one sector likely to benefit from a shift of investment options. The Housing Ministry is interested in attracting foreign consortia who can offer package deals to build, in some cases, complete towns and who will work with local companies.

A French group, the Groupement Rhones-Alpes d'Etudes pour la Construction en Algerie, including architects, town planners and civil engineers, is understood to be studying the feasibility of building 5,000-6,000 houses a year. Eastern bloc countries, which do a lot of business in Algeria creating fierce competition for the West, have also been asked to help with house building.

There are also plans to build more hospitals and universities. So far there are few UK contractors working in Algeria, but there are some consultants, including Easams and W. S. Atkins, which recently won two contracts, to design the university complex and for an 800-bed teaching hospital at Tlemcen.

Lack of nowledge of Algeria has deterred many UK companies, which have tended to regard it as a French preserve. France still has many contracts there, but its share of the total has fallen as Algeria has diversified its commercial relations. There are certainly difficulties for non-French speakers, but companies with sufficient determination get round them and the problem has not frightened the Japanese.

Most big contractors find that it helps to maintain an office in Algiers. This can be expensive but is a good way of keeping abreast of events and ensuring a steady flow of work. It makes it easier to obtain notice of tenders—published in the national Press—to maintain contacts with the state companies and to handle bureaucratic difficulties.

Margaret Greenhalgh

Libya

Serious labour shortage

IN THE years since the overthrow of monarchy in 1969 the Libyan leadership has pushed ahead with development of this vast but underpopulated North African country. Often the pace of change has accelerated past the point at which it can be properly absorbed by the economy.

With £13bn allocated to be spent on the 1976-80 development plan, international construction companies were quick to take advantage of the rush for development. Yet even those most familiar with Libya still keep a wary eye on the possible effects on themselves of Libya's brand of Islamic socialism.

The arbitrary calling of performance bonds by the Government in 1969 has inevitably made foreign companies nervous. This, and subsequent wrangles over payments, has made some contractors hesitate before tendering. The impact on British companies has been particularly severe, although there was a breakthrough last year when the McNeill Group won a £21m contract for housing construction south of Tripoli. British consultants, on the other hand, have always been well represented.

Continue

Officially, Col. Muammar Gaddafi, the leader of the 1969 revolution, promised to resign his post last December. He and senior colleagues, however, will continue to guide the country's fortunes. In the future, as in the past, it looks inevitable that political, economic and social development of Libya will be stamped with Col. Gaddafi's views.

The Libyanisation of foreign companies has long been a motive of government policy. The first section of Col. Gaddafi's "Green Book" outlines his plans for direct, if in effect heavily controlled, democracy. The second part of the book, now being implemented, concerned itself mainly with economic policy.

Its publication last year sounded the death knell for private enterprise within Libya. Since last September workers' committees have rapidly taken over private as well as public businesses. This has hit international companies engaged on specific contracts, but their own ventures have not been taken over.

In the first few months of marches and officially inspired workers' committees, industrial anarchy was predicted. The more doleful warnings have not, so far, come true. The takeover by workers is being carefully monitored by the government. In some cases managers have lost their jobs. In others they have simply shifted their responsibilities or have been brought back to sort out the subsequent confusion.

The worker's takeover is now being viewed a little more optimistically by companies. The Export Credit Guarantee Department in Britain is becoming more sympathetic to contractors seeking backing as the extent of the takeover becomes apparent.

The financial future of Libya was also looking rosier by the end of 1978. In the first half of the year the world oil glut hit oil exports. In the first six months there was a total drop in Libyan oil exports of 45m barrels compared to the same period in 1977.

But company stockpiling to guard against the expected OPEC price rise at Abu Dhabi, the Saudi limitations on the sale of their light crude and, in the last quarter, the strikes sweeping through the Iranian oilfields pushed up demand for Libyan crude. As a long time OPEC hawk Libya was pleased, if not satisfied, by the the 14.5 per cent price increase agreed in December. Nevertheless in the first 11 months of the year oil production was down 5.2 per cent on 1977.

Construction up to 1980 will be limited, as in the past, by incapacity to absorb investment. The total Libyan population, including foreign workers, is only 2.6m and, given the low average age, many of these have yet to join the labour force. In the immediate future the emphasis is more likely to be on infrastructure as industrial and agricultural projects under construction are completed.

Most agricultural projects are already underway but only last July ITL-Italiana Lavori and Food Development Corporation of the U.S. won a $125m turnkey contract for well drilling and reclamation. In the past the Yugoslavs have been particularly successful in winning contracts in this sector.

In industry there has been a strong emphasis on food processing. Plans for heavy industrial development have been more tentative, and an agreement with Yugoslavia to build a large aluminium plant is still being discussed.

Bids for the $1bn steel plant at Misratah have already been called for. Bidders for this plant, with a capacity of 1m tons a year, include two major Japanese consortia headed by Mitsui and Marubeni, and C. Itoh respectively. They face competition from West Germany and Austria.

Inevitably the oil industry and petrochemicals have rapidly expanded over the last decade. From no oil refineries in 1970, Libya now has six and another three are planned. At Abu Kammash, West Germany is building a $500m complex which is to export chemicals. A urea fertiliser plant has been completed at Mersa al-Brega and within three years an ethylene plant should be finished.

Developing

But over the last year the major contracts have been for infrastructural projects. Babcock AG and Budimex of Poland won a $500m contract for the construction of Homs power station near Tripoli last January. Bharat Heavy Electricals (BHEL) of India, already building Tripoli West power station, has recently won another contract for a 600 MW power station at Zuara.

This Indian contract is part of a $1.5bn deal betwen New Delhi and the Libyan Government. The Libyans have always favoured developing countries for such bilateral deals. Turkish companies are doing a number of contracts, although intermittent Turkish inability to pay for Libyan oil exports has sometimes bedevilled relations.

Italy remains the biggest source of exports to Libya but the developing states do have one in-built advantage. The chronic shortages of labour, particularly skilled or semi-skilled, gives a big advantage to those who can bring their labour with them without greatly raising the price of contracts.

Such a labour shortage is typical of most of the Middle East oil producers, especially those with small populations. In Libya the shortage has been exacerbated over the last 18 months by the departure of so many Egyptians with the growth of hostility between Tripoli and Cairo.

There has been an influx of Tunisians to make up for this exodus, and last year the total inflow from Tunisia may have been as high as 50,000. Pakistanis and Indians have also been increasing in number.

The shortage of unskilled labour can be solved. The persistent problem remains, however, of how to acquire skilled workers or office staff and clerks. The number of Libyans suitable, trained and willing to work is limited by the low population. Indeed the situation is being made worse by the general call-up for the army of those under 35. Many will receive additional training in military service but this does not help those coping with the immediate problems.

The system of exemptions is proving inadequate, and Libyan technicians, scarce enough at the best of times, are tending to disappear into the army. Nevertheless, the element of "theatre" and confusion surrounding the new moves should not conceal Col. Gaddafi's understandable aim to try to prevent Libya becoming a caste society with foreign labour doing the work, while Libyans do very little. Whether such a policy can be successful in a country where GNP per head is over £4,000 is another matter.

Patrick Cockburn

Kuwait

Still bustling

ALTHOUGH THE construction boom went bust in the lower Gulf, Kuwait, its skyline punctuated by huge cranes, still looks like one vast construction site, with work on some projects going on around the clock. There are some pessimists who predict an imminent slowdown, but most people directly involved in the industry see merely a levelling off of activity or a temporary pause to catch up with and assess the economic impact of projects already under-way.

Competition for contracts is stiff with the South Koreans, the current blue-eyed boys, beloved of both Kuwaiti clients and Western design consultants. Jealousies abound, the current rumour being that the Koreans' bids on projects are subsidised by the U.S. Government because they are the American "Foreign Legion", expected to protect the oilfields if anything untoward should occur. The Koreans blame competitors or the North Koreans for these stories.

UK construction contractors have been reluctant to get involved in work, although UK design consultants have been quite successful. Construction contracts are for fixed prices and require a 10 per cent performance bond which technically can be called almost on whim. According to one diplomat, however, a performance bond has only been forfeited once and that was when the contractor literally walked off the job and left the country.

"The Kuwaitis' attitude is that they are not interested in the bond. They are interested in getting the work done and they bend over backwards to get that taken care of," he said. This, he added, includes early payment to companies with cash flow difficulties and extension of deadlines. "The bottom line for them is the job. They don't need any more money."

A UK consultant said that UK contractors seem to have an "irrational fear" of doing business in Kuwait. "I think they have had problems in other parts of the Middle East and look at standard agreements here and get scared off," he concluded.

The main problem for the contractor is the labour shortage. Since Kuwaitis form less than half the population, the Government is anxious to limit immigrant labour. Its policy is that the contractor on Government projects must import his labour, house it and send it home at the end of the contract.

The Koreans, with a large, skilled, well-organised and low-cost labour force, probably benefit most from this policy. They entered the market in 1976 and within two years had $500m of contracts. There are now 17 Korean construction companies in Kuwait, with 9,500 workers. Last year they got $500m in contracts.

Preference

But even the Koreans fear for the future of the international contractor in Kuwait. An official of the Korean trade mission said that the Kuwaiti Government is increasingly showing a preference for local over international contractors. A Kuwaiti architect said the Government is under pressure to push international contractors into associating with local concerns in joint ventures. "My prediction is that within two years it will be very hard for international contractors to come and work here using a Kuwaiti as just an agent," he said. "There will be some restrictions on that."

The Government's development budget for 1978-79 is KD 390m (close on $1.15bn), 1 per cent less than last year's KD 392m, but considerably less when the country's inflation rate of 30 per cent is taken into account. Only KD 68m of the budget is for new projects and 63 per cent of that is for the large power and desalination projects of the Ministry of Electricity and Water. The Kuwaitis are already the world's No. 3 per capita energy consumers.

The Electricity and Water Ministry is now reviewing bids for six of the eight turbines and six of the eight boilers for the Doha West power/desalination complex. Low bids total about $350m for the boilers and turbines. Civil work for the project is out to tender now. The tender for the first four of the 16 6m gallons/day (mgd) desalination units will be issued by February with the others coming at about six month intervals. Under tender now is a $45m water pumping, blending and storage project to handle the water produced at Doha.

Also coming up this year is the Shuwaikh power and water production station project to replace most of the 25-year-old Shuwaikh facility. The old plant will get four steam turbines totalling 400MW and nine desalt units totalling 54 mgd. Tenders for the intake and discharge facilities are to be issued by May and tenders for the dismantling and demolition work by June. The turbines and boilers will be tendered by June and the civil work by February 1980.

The major projects department of the Ministry of Public Works is now considering bids for construction of Kuwait's answer to Disneyland, with an Italian group the low bidder at †62.3m. Out for tender now is the State Mosque, estimated at KD12m. In a few months there will be a tender for the Ministry of Planning complex, estimated at KD7m.

The motorways section of the Ministry has under construction KD80m of Phase one of the Kuwait motorways system and expects to award another KD17m in contracts for the system this year. Deleuw Cather International of the U.S. has just submitted its design studies and conceptual design of the second phase of the project. It is divided into five parts, totalling 115km and estimated at $375m. The Ministry will eventually be looking for designers for the separate parts.

The National Housing Authority (NHA), which provides housing for lower to average income Kuwaitis, will contract for construction of 5,000 to 6,000 units this year. About five months ago a Housing Ministry and NHA delegation visited the People's Republic of China and a few months later received a reciprocal Chinese delegation. Under discussion is the possibility that the Chinese will construct a large housing project in Kuwait. According to one Kuwaiti official, "This is the first time they will do something for a country and get paid for it."

NHA has been reluctantly handling development of the idea of the new town of Subiya, to be situated near the Iraqi border. Shankland Cox Partnership of the UK has completed a final planning report on the town—which is eventually to house 500,000—and the concept has been approved by the Government as part of Kuwait's national planning strategy. However, the go-ahead on more detailed plans has so far not been given, causing some local urban planners to worry where Kuwait will house its burgeoning population, which is expected to at least double by the year 2000. Construction on the first district of the first phase of Subiya could conceivably start within 18 months of Government agency to handle the project.

Design

Kuwait's municipality, the land-use planning body for the country, is involved in several large urban development schemes plus a $216m project to develop 21 KM of Kuwait City's waterfront.

Arthur Erickson, Architects of Canada, has just signed a design contract for an urban centre at Fintas, halfway between Kuwait City and Ahmadi, which is to become the second largest urban centre after Kuwait City. Estimated construction cost is over $1.2bn.

Probably the biggest project in the private sector is the $252m residential/commercial complex designed by I. M. Pei and Partners of the U.S. with the Kuwaiti Engineer's Office here for the United Realty Company. There are numerous other residential and shop/office complexes under design, although one architect wonders what is going to happen when the 4,000 or so shops now under construction are completed.

Leslie Ann Mitchell

Jordan

Activity at peak level

A CONTINUING high rate of demand for new housing and the implementation of most of the large scale development and infrastructural projects in the current five-year plan now dominate the construction scene in Jordan. As a result there is a rush to increase local cement production and a proliferation of new import-substitution industries catering for the still booming construction sector.

At the beginning of the fourth year of the five-year plan, Jordan is now almost at the peak implementation period for the plan's many large projects, notably expansion of the port of Aqaba, the potash and chemical fertiliser projects, the new Amman International Airport, the massive Jordan Valley agricultural and housing projects, expansion of phosphate production facilities, a series of road and public housing projects, the new Yarmouk University and the King Talal Dam water delivery system, to mention only the largest.

These Government-financed schemes, coupled with a continuing high demand for private housing, has caused demand far to outstrip production capacity of 500,000 tons at the country's sole Portland cement plant at Fuheis, north west of Amman. Thus the Jordan Cement Factories Company has embarked on a two-stage expansion project, building two new 2,000 tons per day kilns to bring total capacity by 1982 to 1.65m tons, which even then may not meet local demand.

In the next two years, the cement company, which enjoys a Government-protected monopoly on producing and importing cement, will import 600,000 tons of cement every year from Europe. Plans to build a second Portland cement plant in the south are approved but the 1m tons a year plant is supposed to be geared exclusively to exports to Africa. Its detailed construction plans and schedule are not yet finalised, however.

The housing market continues to be the mainstay of most of the small and medium-scale Jordanian contractors. With its peculiar demographic structure, the young Jordanian population will require at least 20,000 new housing units per year for the next decade, most of which will be built by the private sector, although the semi-autonomous housing corporation is also now reaching its anticipated rate of building several thousand low and medium cost housing units every year.

Speculation

The feverish growth rate of the construction industry that was tied to the land speculation rush two and three years ago has settled back down into what is, for the Middle East, a more normal growth pattern, but a high growth rate if compared to the rest of the world. Cement demand, for example, is rising at the rate of 15 per cent every year, while commercial bank credits to the construction and real estate sector continue to grow by at least 10 per cent every year, despite recent central bank monetary intervention to dampen loans to this sector. If the lending activity of the state-backed Housing Bank is computed into the sectoral distribution of bank credits, the real estate and construction sector accounts for a very high 40 per cent of all outstanding loans at the end of 1978.

Even without the Housing Bank's JD 60m in outstanding loans (about $190m), construction and real estate account for 30 per cent of all commercial bank credits, a high amount by any standards.

The most significant trend within the housing business in Jordan today is the slow shift from expensive de luxe quality housing into the more sought after low and medium cost dwelling. There is a surplus of de luxe housing in the capital of Amman, and a shortage of lower cost accommodation.

The continued high demand for housing has spawned a series of new local industries catering to the construction sector. Most notable of the new companies are ones to produce precast concrete housing elements, bathroom and kitchen tiles and porcelain and ceramic fixtures; aluminium windows and doorframes, wooden door sets, galvanised small-size steel pipes and plastic electric conduits, steel radiators and lime and silicate bricks. Also coming on to the scene soon are an aluminium extrusion plant, a glass plant, the new cement factory in the south and a wood factory in Aqaba using timber imported from Malaysia.

The relative drop in reliance on imported materials and the rise of local production has tended to help prices of construction materials to stabilise after four consecutive years of rising costs for contractors. In some cases, such as locally produced paints and tiles, prices have started to fall slightly in the face of increased output and competition.

Some new construction techniques and services are also gradually being introduced into the market, such as the use of precast concrete elements and prefabricated housing, tunnel-type framework building methods, especially for hotels, and ready mixed concrete deliveries.

The cost of labour has also stabilised, and the shortages of skilled and engineering personnel of the past three years have largely disappeared. This has been due to inexorably rising wages—which have trebled in many cases—as well as the return of increasing numbers of Jordanians from the oil producing Gulf states because of the continued influx there of Asian labour and the slow drift of more and more construction industry personnel from the stagnant economy of the Israeli-occupied West Bank.

The relatively advanced state of the construction industry in Jordan, when compared to the rest of the Arab world, is demonstrated in the recent decision to make Jordan the second Arab member of the Euro-International Committee for Concrete, the world's leading body for setting internationally recognised codes of practice for the construction industry. Lebanon and Iran are the other two Middle East members. This international link-up corresponds to the three-month-old drive in Jordan to formulate a whole series of national codes of practice for the construction and contracting professions. In most cases, local contractors adhere to the code of the Arab Federation of Engineers or European or American codes, although the need for a local set of guidelines is badly felt.

Several large contracts will be awarded in the coming two years, including the refinery for the potash project, the civil and mechanical works for the Aqaba chemical fertiliser plant, Yarmouk University's civil works, the Maqarin Dam civil and mechanical works and the remaining civil works for the new Amman Airport.

Share

If the pattern of recent years is any guide, companies from South Korea, Japan and Taiwan are expected to continue winning a big share of the contracting business in Jordan, especially for jobs with a pressing time element to them, while major international contractors are still needed to carry out the complex design and contracting work for these big jobs which Jordanian personnel have not had enough experience with to date.

The most recent big contract to go to a foreign contractor was the $111m job for the civil works of the potash scheme, whose $24m township project is being built by Shin Seung of South Korea.

International contractors will find a more competitive market in Jordan in the next few years, with fewer of the jumbo contracts that have attracted contractors in the oil producing states of the Middle East in recent years. It looks as if the domestic housing market will offer more work for Jordanian firms in the next decade, with relatively less consulting or contracting services required from abroad.

Rami G. Khouri

United Arab Emirates

A builder's dream no longer

TWO YEARS ago the United Arab Emirates (UAE) was a builder's dreamland. Every week multi-million dollar contracts were announced as Federal and Emirate Government development budgets recorded annual growth rates of nearly 80 per cent. Compared with other—and sometimes wealthier—neighbouring countries the UAE offered a less hazardous environment commercially and a more pleasant place to work in for contractors who wanted a door to the large market of the Middle East.

Today many of those companies are now thinking of packing their bags. Some have already left, particularly those who came for one contract, looked around afterwards, saw no prospect of other work and headed for home. The reason is simple enough. The ports, airports, roads and large industrial installations are either already underway or completed.

In Dubai, which was once the top Arab market for British contractors, some £3.6bn of contracts in the town and at Jebel Ali are in progress, of which UK companies account for an estimated two-thirds. But many are due for completion within the next two years and many have already been completed.

The dry dock in Dubai is more or less ready to hand over, and its builders, a joint venture of Costain and Taylor Woodrow, are talking of a reduction in their presence from a peak of 250 British engineers to a meagre 55 by August next. Bernard Sunley, builders of the Dubai Trade Centre and other prestigious projects for the ruler, Sheikh Rashid, are also talking of a cutback in staff of 50 per cent of its former level. They are fortunate enough to have found work in the capital, Abu Dhabi.

British trade officials advise that unless an incoming contractor has at least one year's absolutely guaranteed work, then it may not be advisable to come to the UAE at all, for the northern emirates can offer little prospect of the traditional large-scale contracts as before. Even in Dubai when the Ruler recently offered a contract he was immediately besieged by work-hungry contractors. In the end he refused all offers, and gave the contract to a builder who was already engaged on another project, but where there was still a cash flow. In the emirates north of Dubai prospects seem even bleaker.

Decline

Another major reason for the decline in work prospects for contractors, is that besides the completion or near completion of major contracts, attention has now switched to the richer capital, Abu Dhabi. Yet Abu Dhabi has always been a more difficult market to penetrate and work in than Dubai. In Dubai the British presence dates back over 15 years, and thus UK contractors were well placed when the boom began. Abu Dhabi is by comparison a late developer, and the competition more heated and internationally spread.

Partnership rules are also more stringent, for local trade laws dictate that each company should have at least a sponsor and that any partnership should be 51 per cent owned by Abu Dhabi nationals. The number of suitable partners for prestigious firms is also running out, for the best and most influential local businessmen have already been taken up.

The Abu Dhabi market has also suffered from the same cutbacks in development budgets. Three months ago the executive council of the local emirate Government declared a moratorium on any new projects. The major infrastructure projects were already underway, and any new project would have meant an increase in immigration, an undesirable happening, it was felt in a society where local Arabs constitute only 15 per cent of the population. The Government earmarked $1.4bn to finish off existing projects last year and a further $2bn this year.

Nor are federal ministries proving the bottomless source of work they were two years ago, though the occasional medium-sized contract can be expected to filter out. However, many contractors have made a conscious decision to steer away from work with the Government because of its tendency always to accept the lowest bid. Such contracts are also attracting bids from as many as 60 to 70 companies. As one major British builder put it: "I don't have the courage to bid in that kind of market. It usually turns out to be a waste of money and time, because I know they are looking for a cheap job, not necessarily a quality job."

In recent months local and foreign contractors are "buying in," to provide themselves with work in what promises to be a lean period ahead in order to maintain a presence in Abu Dhabi. One local builder tells of his latest offer for a contract which turned out to be the second highest bid. "And I didn't even include any profit in my bid—just enough to pay my overheads during the work."

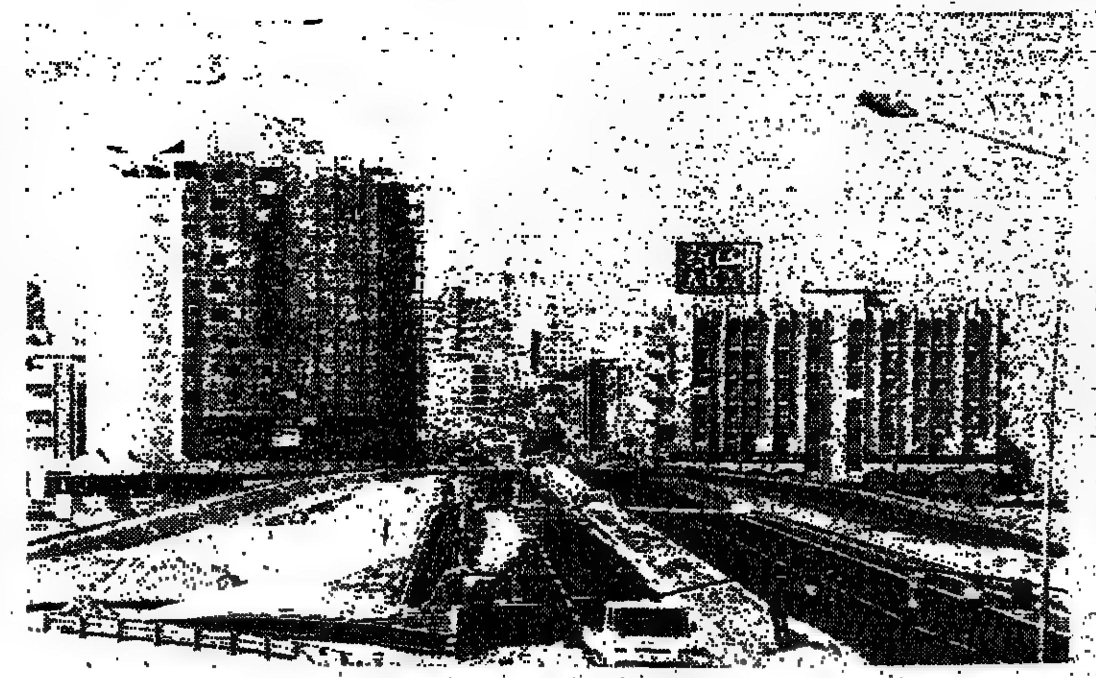
The potential of the private sector in Abu Dhabi has also been hit by the property market collapse, and the subsequent ban on building of office and residential construction which was imposed by the Abu Dhabi government last December. The measure is part of the package to aid the establishment of a Real Estate Development Bank, which despite its name aims to protect financially the owners of existing buildings. There are some 25,000 vacant flats in the city, and the new bank is designed to take over the majority of loans made to local investors by the commercial banks which have in the last year turned very sour.

The ban on the issue of new building permits now being enforced by the local municipality has thrown a number of local contractors in to panic. Many regard the ban as formal notification from the Government that there will be no work in future. Others merely regard it as a formalisation of a de facto building ban, for no banks were taking on new property investments anyway.

The move by the Government has encouraged many of them to leave, mostly to Saudi Arabia. Already over 100 companies *have left but, as economists* point out, there were far too many contractors anyway in Abu Dhabi: and the situation where builders were building homes for other contractors' workers to live in had to stop. Abu Dhabi already has over 2,500 registered contractors—one for every 100 residents.

Amid all this gloom, there are two promising avenues for work. One is the second major town in Abu Dhabi Emirate, Al Ain, where the building boom has yet even to slow down, let alone experience a slump as in other cities. Five major names in British consultancy are making a healthy living in this town of 60,000 people, supervising town road projects, sewerage developments and the like. On the horizon is a plan for another international airport there.

But the major client with vast potential is the Abu Dhabi National Oil Company (ADNOC), which is embarking on a development programme the price of which was last estimated at $7bn. Most of the work in the future promises to centre around the development of the offshore Upper and Lower Zakum fields, which is going to cost around $4.5bn. Ruweis, 100 miles to the west of the capital, is also the major development area in Abu Dhabi, where the Government is constructing a $1.7bn LNG plant, a $500m export refinery and associated port developments.


Building work in progress on the approach road to the new bridge over Sharjah Creek

Any contractor lucky enough to become involved in these ADNOC programmes will tell you that out of all Abu Dhabi clients, the national oil company has proved the best. It is hardly surprising therefore that in view of the size of the contracts going the competition from international companies is extremely fierce.

ADNOC rarely puts out a contract to open tender, preferring to draw up a select list of contractors whose experience qualifies them for a bid. Getting on the list can often be an arduous task, for ADNOC is notorious for its secrecy. Bidders often have to rely on the local grapevine to find out their competitors and are never told why they did not succeed. Nor does the organisation ever publicise its next project—one just gets to know what is coming. They don't normally advertise, they don't need to. They have enough people hammering at their doors anyway," commented one ADNOC contractor.

In the past too the company appears to have preferred to *give an international flavour to* the contractors who are working for it. So far there are American, British, Italian, French, Greek, Indian, Korean and Japanese companies undertaking construction and consultancy work on the schemes.

Unlike other Abu Dhabi clients, ADNOC works to the rules of FIDIC (Fédération Internationale des Ingenieurs Conseils) in contract terms with few amendments, and though payments may be up to six weeks late, the delays are caused by the need for the chairman of ADNOC to sign every contractors' payment. Companies have also praised ADNOC's thorough approach in checking out companies bidding for work. One consultant had an ADNOC management consultant come to his office to check his experience, going through preliminary drawings that had been drawn up in preparation of the bid, followed by lengthy discussions on technical points.

Yet dealing with ADNOC is not as difficult as it is portrayed, say British trade officials. ADNOC officials are fairly accessible to those companies wanting to make their sales pitch, and they appear willing to listen to each one in turn. Too many companies expect to see the top management in ADNOC, and become discouraged that they are passed on to a lower ranking official.

British trade officials have also criticised UK companies for making poor representations—a comment which was passed on by ADNOC officials. The sales presentation often lacks simple elementary items such as brochures and a detailed description of previous work in the Middle East and the UAE. "They tend to think they are famous and that that is enough," said one official.

It is also advisable that a partnership with a well-known Abu Dhabian be entered into rather than securing a sponsor. For ADNOC will undoubtedly give preference to local joint ventures. Local trade regulations also require that the sponsor or partner must be of Abu Dhabi origin rather than from any other emirate. Many Dubai-based companies have found they have to start all over again in Abu Dhabi in securing partners and connections.

Yet British companies have already been able to secure a substantial amount of work on the ADNOC schemes. The local partnership of Mowlem, Quebeisi Mowlem, is engaged on a $13m wharf at Ruweis: British Steel Corporation is to supply the steel for the jetty; Sir Alexander Gibb and Partners are the consultants on the bulk carrier port; at Habshan Capper Neill is engaged on a small plant to process gas for use by Abu Dhabi power stations. In the Zakum field development scheme Preece Cardew and Rider are the consultants for communications network, and Ameron-Serete is working in conjunction with Foster Wheeler Francais on the offshore platforms. GEC is providing compressors and generating sets for the Zakum development.

Kathleen Bishtawi

Bahrain

Waiting for the causeway

WHEN THE idea of a causeway linking Saudi Arabia to Bahrain first became a serious topic of conversation in the island, one Western expatriate wittily dubbed it "the Channel Tunnel project of the Gulf." During 1978 this witticism seemed to contain more than a grain of truth. The issue date for tender documents was repeatedly mooted — and then postponed. The $1bn project, which was to be financed entirely by Saudi Arabia, seemed to have slipped on Saudi's list of priorities.

But the present disturbances in Iran may concentrate the Saudi mind and remind it of the original security reasons for linking Bahrain to the mainland. The more optimistic commentators in Bahrain are now hoping that tender documents will be issued, for pre-qualification bids, in February or March this year. This event would not only inspire international contractors capable of undertaking such a massive work, but also local Bahraini contractors who might expect to pick up a few crumbs from whichever consortium wins the contract.

Competent

There is, for example, a projected township for 5,000 *workers associated* with the 25 km causeway which a company such as Bahrain's United Building Factory, or some of the bigger Bahraini contractors, would be competent to complete. It is practical politics to expect that whichever international consortium wins the major causeway work will have found it expedient to involve Bahraini (and Saudi) sub-contractors or suppliers where feasible.

Design work for the causeway was completed by the Saudi-Danish consultants last year. There are to be 12 km of bridges, over 10 km of causeway, with a further 10 km of access roads in Bahrain and 40 km of access roads in Saudi Arabia. Customs posts will be required as well as road interchanges and the township. The first consortium to be publicly announced was formed by Mr. Adnan Khashoggi's Triad group in association with the British companies Tarmac and Redpath Dorman Long. At least two other consortia are reported to be being formed but rather more quietly.

Apart from the causeway project, and possibly tenders for the sports complex at Isa Town (big enough to host the Asian Games and again to be paid for by the Saudis), there is very little in the way of major new works in Bahrain. Work at Mina Sulman port is rapidly nearing completion, the $80m gas-gathering project is under way—the first contract of any size to be won by a Japanese contractor in Bahrain—the road works continue at an unexciting pace as does the multi-million dinar water and sewerage programme. Work is scarce and some contractors are reported to be continuing work today for guaranteed payment tomorrow (or the day after) in order to keep their men and equipment in use.

The main emphasis in the private sector, largely concerned with office, domestic and hotel accommodation, is on renovation of houses and completion of office blocks started two years or so ago. Renovation work on the older houses (built in the late 1940s and early 1950s), by companies such as Projects, has often turned out to be both aesthetically and economically pleasing. It has been found that spending a few thousand dinars on new windows, plastering and air-conditioning units can raise an old house up to modern rental values. New houses are *expected to cost around $150,000* plus to build, and monthly rentals have dropped back to around $1,400 as opposed to virtually double that two years ago. Bahraini landlords and traders have still not fully adjusted to the more modest post-boom margins.

A number of contractors and suppliers are known to be having a very hard time, a few staving off bankruptcy on a day-to-day basis. There has been only one liquidation (not yet completed) of any size in Bahrain during the past year and that was semi-voluntary. The company concerned was involved in a number of contracts, but one Government contract proved to be beyond its management capabilities. In true Bahraini fashion a number of compromises were made which enabled the contractor to appear to be finishing the contract while in actuality it was done by another. At one point, however, the client's patience ran out and there was talk that the performance bond might be called. The contractor reportedly sought an injunction to prevent the bond holder from paying on call—and everyone waited to see what would happen. Nothing did.

Banks in Bahrain have had to practise the art of doing nothing, or at most very little, on a number of their real estate loans. There are no long or medium-term lending institutions in Bahrain. (the Offshore Bank Units (OBUS) can only lend to local borrowers with specific *Government permission*), so developers have had to borrow from the commercial banks with the maximum borrowing term being seven years. In some cases this is going to have to be seven years twice in succession as costs have escalated and prospective returns dropped.

A classic example of this problem is the Diplomate Hotel project being built by Hyundai, where the capital has virtually been doubled since inception and two substantial loans—*largely from Kuwaiti institutions*—have had to be organised, as well as a small Government stake. The loan terms are fairly tough.

The Bahrain Government has a large housing programme as the Bahraini population is growing rapidly—at over 3 per cent a year—and the old style of living three generations to a house is giving way to the nuclear family. The Housing Ministry has hoped to construct some 2,000 housing units a year, but this has not always been possible.

A major beneficiary of the Government's housing programme is the 60 per cent Government-owned United Building Factories (UBF) which uses the Camus pre-cast building system. The company at present is finishing 500 houses and 150 flats at Isa Town and is midway through the programme for another 300 houses there. It is on the point of handing over five schools to the Public Works Ministry and is working on a number of welfare buildings.

UBF believes it can be viable on a throughput of 600-700 houses a year, a minimum which the Government has half promised to supply, and it is now *seriously setting about* pre-qualifying for contracts in Saudi Arabia and Abu Dhabi.

Of course, a causeway to the mainland would be a great help.

Doina Thomas

هكذا من الأصل

ARAB CONSTRUCTION IX

Iraq

Long-term potential

AS STRIKES sweep across the Iranian oilfields cutting their exports to almost nothing, Iraq has become the second largest oil exporter in the world. Yet Iraq remains one of the least known of the major Arab oil producers. Contractors, fearful of the heavy state control in Baghdad, have in the past looked to easier conditions in the lower Gulf.

The long-term potential of Iraq cannot be questioned. Its population is now 12.3m people and oil production is planned to rise to 3.5m barrels a day by 1980. The size of its oil reserves are uncertain because of lack of exploration in the past, but the Oil Ministry has claimed in the past that reserves may be as high as 95bn barrels. This gives Iraq the second largest reserves in the area after Saudi Arabia, higher than Iran's.

The trepidation with which the contractors have approached Iraq is partly, but not entirely, justified by the isolation of the Government in Baghdad since it took power in 1968. Initially it faced a series of attempted coups. Then from 1973 on it had to cope with the final Kurdish revolt up to 1975, when the rebellion was ended through an agreement between Bakhdad and the Kurd's backers in Iran.

The termination of the long running dispute with Syria and the Baghdad Government following the Camp David agreement between Israel and Egypt, also strengthened the Government. In 1976 the oil pipeline between Kirkuk and the Mediterranean, which transits Syrian territory, was closed. Subsequently transport by road and rail across Syria was choked off. These problems are now being resolved and the connection between Iraq and the Mediterranean reopened.

The changing political scene, and the intermittent slowdown of oil exports, has had an impact on Iraqi planning. The closing of the trans-Syrian pipeline, in particular, made it necessary for the 1976-80 plan to be of more modest dimensions than had been previously hoped.

But Iraq also suffered from the same problems of other oil producers trying to storm forward towards development using the new oil revenues after the 1973-74 oil price rises.

Ports became congested. Bottlenecks developed. Everywhere there was a chronic lack of skilled manpower. Ambitious plans for industrial projects have now been severely truncated and the emphasis is on building up the infrastructure and on completing and putting into operation such projects as the urea plant which Mitsubishi is building near Basra. In the same area Thyssen and Lummus are working on a $1,000m petrochemicals plant. Creusot-Loire has had difficulties with its steel plant close by.

The 1976-80 development plan was delayed as the Iraqi leadership tried to re-order their priorities. They are now essentially working from year to year plans rather than the 1976-80 development plan.

Industry is receiving some 41 per cent of the total plan expenditure of $49bn—though this figure should be treated with caution. In theory agriculture has priority and in the provision of high quality graduates from agricultural colleges this is true. But its capacity to absorb investment is limited and is unlikely to rise above 20 per cent.

The agricultural projects have frequently involved British consultants. But the major contracts have been going to the Soviet Union, Yugoslavia, Austria and the developing countries.

The biggest exporters to Iraq in the past have been West Germany and Japan, which have received the lion's share of construction contracts. The Japanese have looked to Iraq as a good alternative source of oil if there was disruption of current supplies and have organised a $2bn credit to help win major contracts.

The United States has no embassy in Baghdad and its commercial hopes have been limited by boycott restrictions and political differences. But it is important to note that Iraqi Airways relies on Boeing aircraft and Brown and Root constructed a large oil terminal on the Gulf. Some Iraqis would dearly like American oil technology.

A worry for contractors is that the Iraqis are tough on prices (though satisfactory in maintaining progress payments). More important is that, in the past, the Iraqis have linked the awarding of contracts to individual countries with the purchase of Iraqi crude.

In the spring of last year an embargo was started by the Iraqis on orders from West Germany to try to get the West Germans, the largest suppliers, to raise the amount of Iraqi oil they were using.

Other suppliers hoped to fill the gap left by the Germans. But in the middle of the year the expulsion of Iraqi diplomats from Britain led to a highly effective embargo being imposed on UK imports. Wimpey had hoped to win a $1.2m railway contract, which has now gone to Mendes Junior of Brazil. After France and Italy, Brazil is the largest consumer of Iraqi crude, and Petrobras, the State oil company, has an exploration and development contract in the southern oilfields.

The tighter market for oil may make the Iraqis less intent on linking the award of contracts to a country's imports of Iraqi crude. But it is noticeable that smaller countries, such as Finland, Austria, Brazil, India and Yugoslavia, have been doing particularly well. Consumption of Iraqi crude has often been the key which opens the door for contractors.

Companies working in Iraq often complain of the difficulty in dealing with the complex Iraqi bureaucracy. This tends to vary from one State organisation to another. An additional problem is the provision of labour. The Iraqis, differing from other Arab oil producers, have never encouraged immigrant workers, though Egyptians are very visible as hotel waiters.

Hence they emphasise the training development aspect of contracts. They are deeply conscious of the need for more trained Iraqi personnel.

This has also led to the award of school and college contracts on a turnkey basis over the past year. The Japanese and the Finns have been the main beneficiaries. There are also plans to increase the supply of housing very rapidly over the next five years.

For the construction industry Iraq's potential remains very large but requires patience and experience. From 1974 onwards Iran and the other States of the Gulf looked more attractive propositions. But the long-term needs of Iraq for infrastructure, industry and agriculture are far greater than those of the small populations of the lower Gulf. Knowledge of the future potential has to be weighed very carefully against current difficulties.

Patrick Cockburn

Oman

Little work on offer

IF OMAN was a little later than most of its Arab neighbours in coming to terms with the twentieth century, it has certainly made up for lost time.

Occupying a strategically vital position on the south eastern corner of the Arabian peninsular and overlooking the narrow stretch of water which separates it from Iran, the Sultanate offers the visitor a bewildering but delightful mix of ancient and modern, a country of contrasts with its mud-built multi-storey homes and its ultra-modern international hotels, a nation of proud tradition and boundless ambition for the future.

For the moment, however, it is offering little in the way of work for international contractors. For the fact is that, along with some of its other Arab neighbours, the country has experienced an economic slowdown as a result of financial stringency, which has inevitably curtailed the rapid rate of infrastructure and social service development that commenced with the accession of the present Sultan, Qaboos bin Sa'id in 1970.

Before the period of slower growth, development in the country had proceeded at a rate which was barely surpassed anywhere in the region. Construction activity in the north, around the capital Muscat and Mutrah, had reached the stage where suitable land for further development was scarce and in which services could not cope with the demands being put upon them.

Whole areas became construction sites almost overnight, and entire landscapes were transformed as high, rocky outcrops gave way to office, shop and housing developments.

In the southern province of Dhofar, separated from the north by hundreds of miles of inhospitable and largely unpopulated interior a guerrilla war ended only in 1975, but more recently development in the area has gathered momentum, partly as a result of the Sultan's desire to retain the loyalty of the Dhofaris and to bring their standard of living up to that of Northern Oman.

A country with some rainfall that has traditionally been heavily dependent on agriculture for its livelihood, Oman has plans to develop a range of light industries—some already apparent—in an attempt to break with its traditional economic base. With substantial petroleum revenues and other important natural resources such as copper and other minerals, heavy investment is being made in these areas and in industries like fishing, as well as in the continuing expansion and improvement of the country's infrastructure.

So although the medium to longer-term outlook for construction activity in the country must be regarded as good, the current situation—in which few substantial contracts are going out to tender—represents anything but a buoyant one for contractors in search of work.

Oman has traditionally close ties with the UK, and several of this country's major international building and civil engineering operations have carried out work there. None, however, regard the country as one which offers any immediate growth prospects and work has become very thin on the ground.

Some contractors, while maintaining a presence in the country, have no contracts in hand and are simply biding their time until the position improves. UK companies which have undertaken work in Oman include Wimpey, Costain, Tarmac and Paulings. One of the most successful to date has been Taylor Woodrow, through its partnership with local contractor W. J. Towell.

Taylor Woodrow Towell has managed to win large volumes of work throughout the country since modernisation began, some involving projects for the Sultan himself and much of it centred on defence, police, health and education projects. The company has, for example, recently completed a two-year contract for the construction of a marine police base and has also finished work on an army training school which boasts all the latest aids and facilities.

But perhaps the jewel in the company's crown is the Medinat Qaboos housing and apartment development in which the Sultan has taken a close and special interest.

Claimed to represent the best residential area in Oman, the development was started in 1973 on a site a short distance out of the capital, the first completely private enterprise operation of its type in the country.

The eastern section of what is essentially a new town offers about 550 houses, villas and apartments and was developed by W. J. Towell, and built by Cementation (Jersey). Most of the properties are being offered on short leases and the whole development is being managed by Taylor Woodrow Towell.

The western section, which comprises houses for sale, is now about half complete, was designed by Taylor Woodrow International, and the main contractors and developers are the Oman International Development Company. Sales towards the end of last year were reportedly slack, although there have been signs that interest is picking up.

Few developments will presumably match the Medinat Qaboos standards, but the provision of housing in Oman does represent an area with considerable potential for future contractors. It is already clear that preferences are changing from the initially essential prefabricated housing unit towards more traditionally built property.

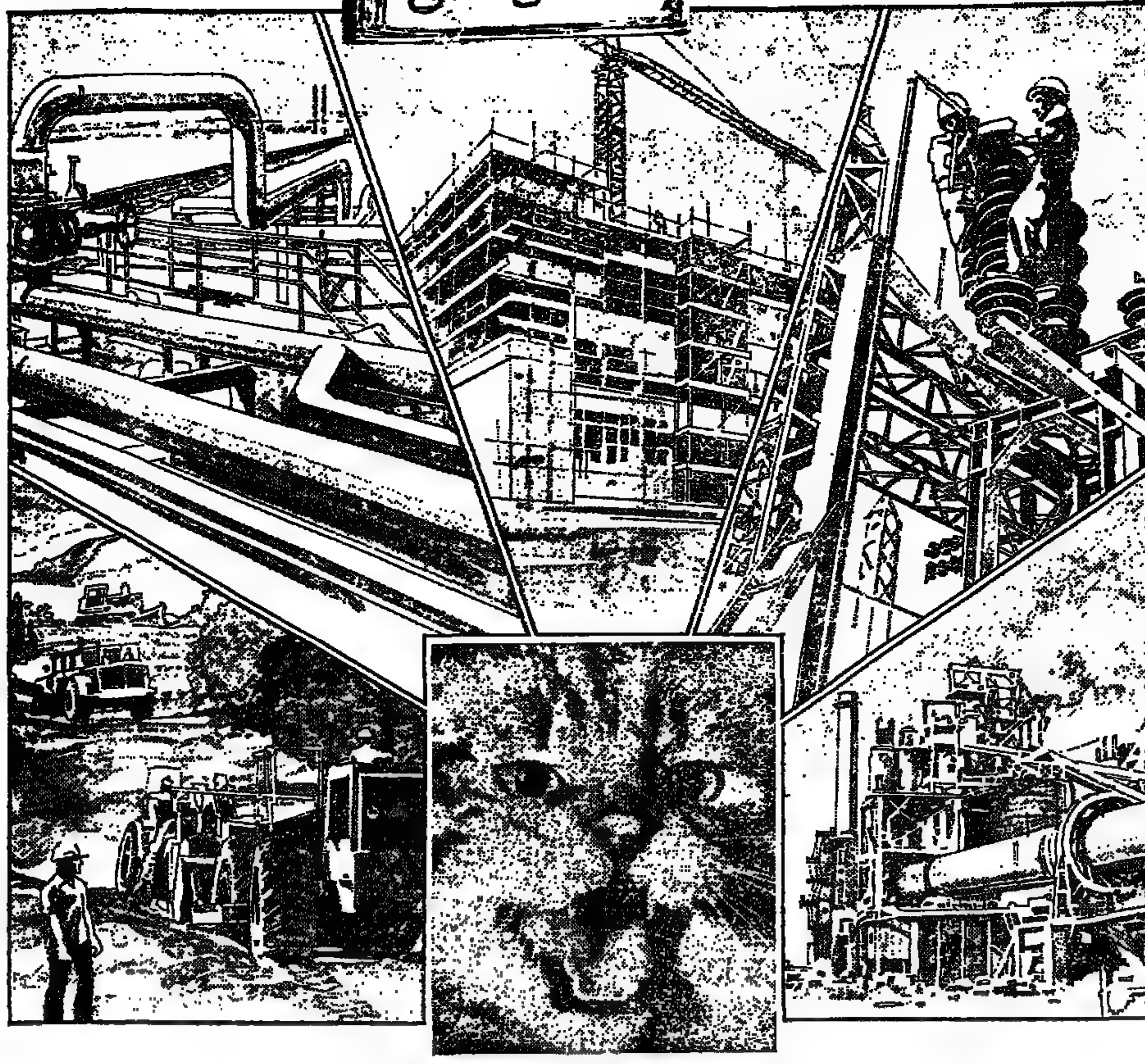
Away from housing, road developments will also continue to play a major part in future development strategy. Since the early days of the new programme, over 1,000 km of graded roads have been built, many linking the country with the nearby United Arab Emirates and improving communications between domestic centres.

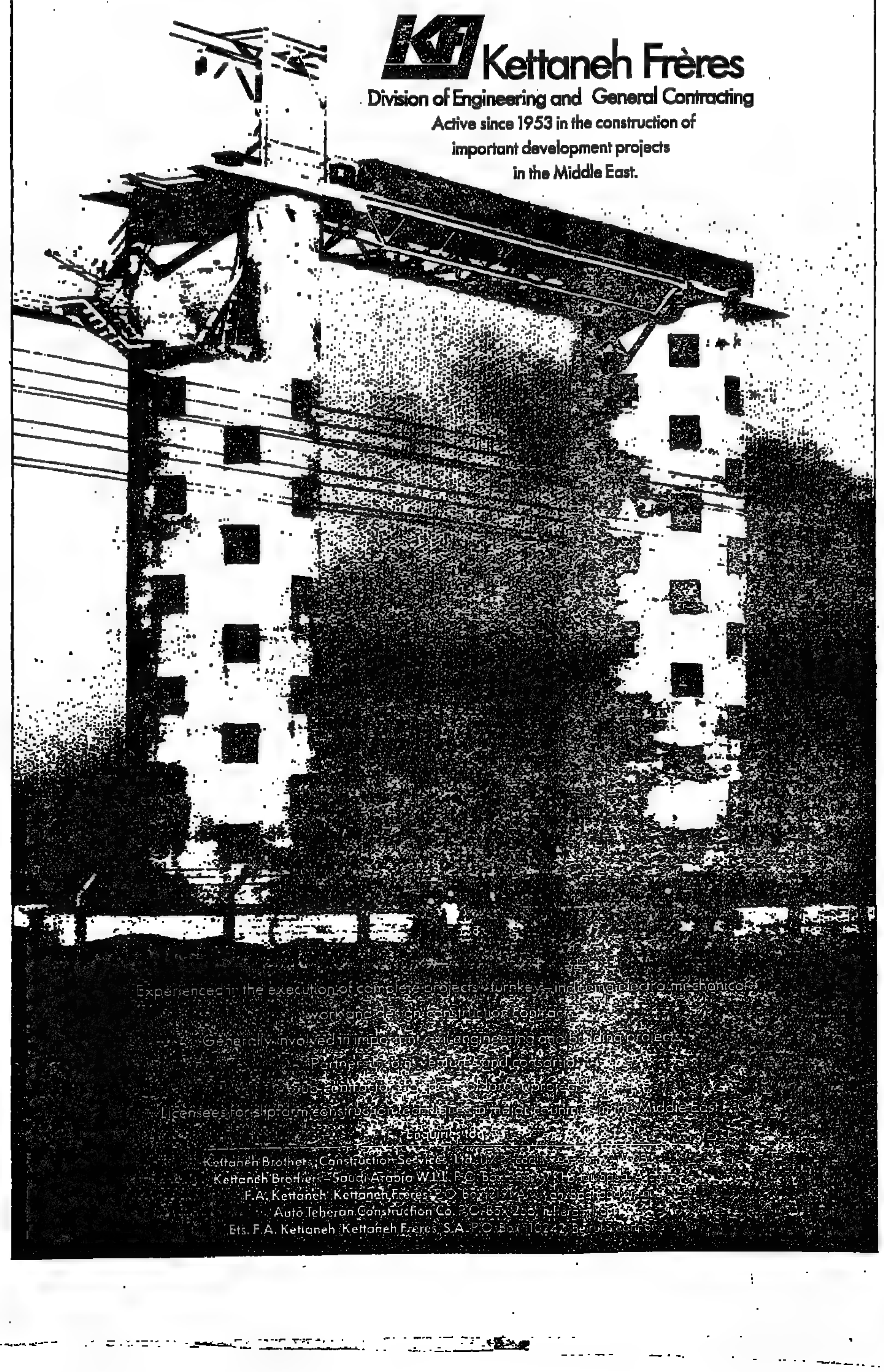
The opening up of the interior and the improvement of north-south land links should provide substantial volumes of work of this type.

Companies such as Wimpey have already been participating in road contracts, but they have to contend with some very tough competition from other international specialists such as Joanna and Paraskevedes of Greece, which has developed a sizeable contracting operation in Oman, picking up work involving military projects, road construction and airport projects.

The UK presence has by no means been eclipsed, however, and the success of consultants like Halcrow and Scott Wilson Kirkpatrick is as notable as any progress made by the contractors themselves. Both sectors hope Oman will prove to be a market of the future, if not of the moment.

M.C.





North Yemen

Contractors move in

ONE OF the most romantic projects in the Arabian peninsula is to be found in North Yemen—the reconstruction of the giant and historic Ma'rib dam, east of the mountains surrounding Sana'a, the country's capital. Ma'rib was the Queen of Sheba's capital and a flourishing commercial centre in the days of the frankincense trade. The dam at Ma'rib retained the waters that irrigated much of the surrounding territory and gave the country its historic title of Arabia Felix.

Shaikh Zaid of Abu Dhabi, president of the United Arab Emirates, is personally interested in the reconstruction of this dam as his ancestors came from the area. It is reported that he himself will finance the rebuilding of the dam if feasible (if not a new dam may possibly be built on a new site). Electrowatt of Switzerland is doing the feasibility study.

But North Yemen's construction plans are not limited to rebuilding the past. The country has published an ambitious $3.6bn five-year development plan which is aimed to lay the foundations for raising the country from its medieval subsistance agricultural economy to a modern light industrial state supported by a flourishing agriculture. The first step—the primary objective of the current plan—is to create the infrastructure. Many of the projects in the five-year plan, roads, power plants, telecommunications, water and sewerage, ports and airports, schools, hospitals and housing, could be started in the coming year or so. A number of contractors and consultants who are running out of work on the other side of the Arabian peninsula are already in North Yemen, hoping for future work.

Those contractors, however, will find working in the Yemen Arab Republic strikingly different from in the small but wealthy Gulf sheikhdoms. The first and most obvious difference is that the North Yemen Government is poor. The bulk of the projects in the five-year plan are to be financed by aid from outside, though some, it is hoped, by the Yemeni private sector. Fortunately so far it seems that the aid is readily forthcoming from both Arab and Western sources (and a little from the Chinese and Japanese). Already North Yemen has received pledges of around $1bn plus towards the cost of its five-year plan.

For contractors and consultants this means lobbying the various aid agencies as well as the North Yemen Government in order to get on to the prequalification lists. The essential ministry to get to know is the Central Planning Organisation (CPO) which, with UNDP assistance, prepared the five-year plan and will oversee its implementation. The CPO administers the tender and prequalification procedure for all the major projects, such as the $300m power generation and distribution scheme for which bids were called in last November.

Change

A feature of this particular contract—which hopeful contractors would do well to notice — was the insistence of the Yemenis on some indication of what credit would be available in the contractor's home country. While the CPO made it perfectly clear that a tied proposal—" give us the contract and we will give you so much credit " — was not what was wanted (and might, indeed, be resented), an indication of credit availability was of prime importance.

While contractors and consultants should make themselves known to the CPO and the relevant aid fund underwriting the project in which they are interested, contact should also be made with the appropriate ministry. The excellent COMET (Committee on Middle East Trade) report on North Yemen, published in September, 1978, and costing £6, points out that contacts should be made at high levels—North Yemen even more than the other Arab states, suffers from a serious lack of adequate middle and lower rank civil servants and managers. As a consequence, senior officials are inundated with work—and yet always accessible—which means that arriving at decisions is often a protracted process. Yet once decisions are made, they are often implemented quickly.

It is vital for those seriously looking for work to have a representative on the spot. Communications with North Yemen are not good enough for companies to rely on telephone and telex messages keeping them up to date, nor do Yemenis always respond to them. As yet few Yemeni contractors have sufficient experience to undertake the major works scheduled in the five-year plan but many are seeking to represent international contractors. "A local representative with an active principal and employees is essential to help the foreigner cope with the lower levels of Yemeni bureaucracy, as well as keeping in touch with the top civil servants," one established international contractor comments.

British consultants, while they do not have such a strong position as in some Gulf states, are quite conspicuous in North Yemen. Sir Alexander Gibb is consultant to the Hodeidah port project, adding a sixth berth, handling equipment and service buildings. It is also supervising the work at Mocha, the ancient coffee exporting port which is being done by Dutch contractors. In consortium with the French consultants Ingeroute, it is working on a number of road projects. Alone it has the consultancy brief for four small domestic airports — North Yemen covers some 200,000 square km of high mountains and extensive plains, making internal communications difficult. Kennedy and Donkin is the consultant to the Yemen General Electricity Corporation, working on the country's power generation and distribution programme under the five year plan. North Yemen plans to spend $190m on it. According to the COMET report present installed capacity in North Yemen is around 17.5 MW. Immediate as well as long solutions to the power supply problem are necessary.

There is a $100m water and sewerage project under way covering the three main towns of North Yemen, Sana'a (the capital), Taiz and Hodeidah. The Sana'a work is being carried out by Lilley International of the United Kingdom which hoped to have completed its work around the turn of 1978-79, the consultant is Howard Humphreys. The Sir William Halcrow consultancy is working on a water project of a different kind—the irrigation studies for Wadi Sirdud. Irrigation studies are being carried out on some of the wadis running from the mountains down to the Tihama coastal plain, and these will lead to a number of dam building projects with associated access roads and other extension work.

A major part of the five-year plan is taken up with the improvement of road communications (for both political and economic reasons). Most of the villages in which North Yemen's population of 6m or more live are not linked into any metalled road system. The only proper asphalted and graded roads are those linking Sana'a to Hodeidah, the latter to Taiz and Taiz to Sana'a, and from Sana'a to the northern city of Sa'ada. Village co-operatives are busy building access roads but, as anyone flying into Sana'a can see from the windows of the aircraft, the construction of roads in Yemen's mountainous territory will be an enormous engineering challenge. Some $520m is estimated to be needed for first priority roads and a further $230m for second priority. There are, in all, some 42 road building and maintenance schemes of which 28 are on the first priority list.

Housing, too, is a major priority of the North Yemen Government. A 2,000-unit township is being built outside Sana'a by the Spanish company I. G. Varia, and the CPO is believed to be planning a second township of about the same size. But it is in the residential sector that private projects come to the fore. The high level of remittances from expatriate Yemenis (mostly in Saudi Arabia), now said to total around $1.4bn annually, means that new building is going on in virtually every village in North Yemen. A Kuwaiti real estate developer has put up a speculative development of prefabricated houses outside Sana'a and is planning more.

There is a new Yemeni-Kuwaiti Real Estate Development Corporation, in which the shareholders are Yemeni citizens and Kuwait banks, which has a number of hotel and residential development projects under study, including two possible Sheratons. The hotel studies are being done by the British consultancy Howarth and Howarth.

Land in North Yemen is expensive and not readily available. Construction costs are also soaring as Yemeni labour becomes more expensive, keeping pace with an inflation rate around the 30 per cent mark. In some cases the Yemeni labourer has priced himself out of the market and the Government has permitted contractors to bring in Asian and Egyptian labour.

Yemenis, both as private citizens and as Government officials, are commonly regarded as tough bargainers, who still tend to go for the lowest price, although engineering and other skills are given their due value. This does, however, mean that Western contractors will face stiff competition from Asian and Far Eastern contractors—and from Africa. There are a number of Sudanese in consultancy positions with the Government and an Ethiopian contractor is building the Yemen Airways Corporation headquarters.

Competition

In the not too distant future there may also be competition from a major Yemeni contracting company. It is known that the Government is eager to set up a national contracting company in partnership with a foreign contractor of international standing and that it would be prepared to guarantee work to the new company. So far there is no betting in Sana'a as to the name of a possible foreign partner.

The Yemenis are also tough on contract terms, and the COMET report advises contractors to include every possible detail in initial draft contracts —down to the right to import food and drink for company employees—as details cannot be added later. If further contracts are hoped for, the first must be a model legal document as the Yemenis like to take a first contract as a standard for the second. Where a project is to be funded by one of the many aid bodies helping North Yemen, standard FIDIC terms are usually followed. Although there is no formal codification of bid and performance bonds, in practice these tend to be between 2 and 5 per cent bid bonds, and 10 per cent performance bonds with up to 20 per cent retention possibilities on construction contracts. So far all contracts have been negotiated on a fixed price basis.

But it is the question of the stability of the North Yemen Government, rather than its tough negotiating posture that worries many international consultants and contractors. With nearly half a score of attempted coups and two presidents assassinated in the past two years, they have reason for concern. But long-term expatriate residents of Sana'a point to the fact that the Yemeni economy seems to be largely unaffected by the political upheavals. When Presidents have changed, there has inevitably been a temporary hiatus in Government decision making. The private sector has been quiet for a few days and then business life returned to normal.

Since the impressive and relatively long-serving President Ibrahim al-Hamdi was murdered in October, 1977 there have been three successive leaders but the complexion of the Government of the YAR has, in broad terms, remained much the same. There is a strong commitment to private enterprise and the two key factors underpinning the economy—the flow of official aid and workers' remittances from Saudi Arabia —have continued unchanged. It is also pointed out that President Ali Abdullah al-Saleh may well have strengthened his position by means of the swift way in which he dealt with an attempted army coup in November last year.

Doina Thomas

Egypt

Finding the money

EGYPT REPRESENTS potentially one of the most exciting markets for construction work in the entire Arab world.

With 38m people, the country has the largest population of the region and one of the greatest undeveloped land masses in the Middle East. But more important, it has resolved to embark on an ambitious plan of modernisation and development which will inevitably require the assistance and resources of non-Egyptians.

In this respect, the prospects for business for the UK building and civil engineering sector seem boundless. As the briefest of visits to Cairo will confirm, the Egyptians like the British, and the few contractors who have ventured into the country since the post-Nasser "open-door" policy took effect have likened the atmosphere to that which exists in parts of the Gulf, where historical links with the UK can often represent a head start in the race for work.

Egypt is not immediately ripe for the picking, however. It is a country of enormous frustrations and endless bureaucracy and, most important of all, it remains relatively poor. So far at least, its ambitions have been severely curtailed by a painful lack of finance, but there is hope that the outlook is much brighter.

Cotton

Traditionally dependent upon the export of cotton, Egypt's economy is now undergoing a period of significant change and diversification, and since the 1973 war with Israel the Government has attempted to encourage domestic and foreign private investment and slowly to pull down much of the bureaucracy which has hampered progress.

Now petroleum production is rising (the country is self-sufficient in oil) and export revenue is increasing. In addition, the reopening of the Suez Canal has provided a badly needed economic boost and a country once almost wholly tuned to agriculture is developing mining and manufacturing industries, extending into engineering, electronics, chemicals and construction materials and also emerging as a significant regional centre for commercial and financial services.

The high cost of defence (a peace settlement should relieve enormous financial pressures and bring a boost in the form of overseas investment), the heavy requirements of Government in an extensive bureaucracy and expenditure on consumer subsidies have led to large Government budget deficits, which have been financed by borrowing. Egypt's external debt remains very high.

So although the country may still represent the Arab world's version of "a sleeping giant," it is already showing enough signs of life to interest the contractor or civil engineer who wishes to maintain a presence in the Middle East and is finding it increasingly hard to find work in those countries where basic development is well advanced.

The total value of major construction projects in Egypt, under way or provisionally costed, amounts to no less than £11bn, and although the level of activity this figure suggests will be spread over a number of years it should be sufficient to sustain a major construction boom in the country.

Egypt is not, of course, without its own building and civil engineering fraternity, but it is already clear that it needs, and wants, help in the form of outside participation. Some UK contractors have been quick off the mark.

Few have been quicker than Higgs and Hill, which is now developing the ultra-modern Cairo Plaza project on the banks of the Nile in the capital. The management fee agreement is worth in excess of £35m and involves the construction of twin, 39-storey towers for use as apartments and offices. A shopping exhibition and conference centre will also be included in the complex, due for completion in 1981.

The work represents one of the largest building contracts yet to be awarded in Egypt and is something of a coup for both Higgs and Hill and the UK. It is certainly the kind of valuable foot in the door which could provide a smoother entry for other companies which attempt to follow.

But as Higgs and Hill itself point out, the work is not easy to win and the execution of the contract is not exactly trouble free. The contractor has to cope with a situation in which different disciplines prevail, or to put it more bluntly, in which lower standards often exist. There is an educational role to fulfil as well as a construction job to be done.

But despite the fact that the upturn in construction activity is barely off the ground and that Egypt does not represent the easiest of environments in which to work, international competition is already apparent. The Americans in particular are recording contract successes, and countries such as Switzerland are also winning work. As yet there are few Far Eastern contractors though there is no reason why more should not come.

For the time being, the UK does appear to be ahead of other European competitors—it is doing particularly well when it comes to materials sales—although it will have to keep its wits about it to maintain the edge which exists.

Higgs and Hill is not alone in Egypt. Tarmac Overseas, in joint venture with Osman Ahmed Osman, is constructing a two-lane road tunnel under the Suez Canal at El Shallufa near Port Suez. The multi-million pound contract is well underway and the tunnel is due to be operational by 1980. The original value of the work was £80m, although this figure is now very much out of date.

Supertankers

Other contractors in the country include Cementation (through Cleveland Bridge and Engineering Middle East) and Bovis, currently engaged on a contract for the refurbishment of the world-famous Shepheard's Hotel in Cairo.

The largest single project in Egypt must be the first phase of the plan to deepen and widen the Suez Canal, so that it is capable of accommodating the 150,000 dwt supertankers. The entire project, including the second phase which will enable loaded 260,000 dwt tankers to use the canal, is calculated to cost (at current prices) about £1.5bn, with most of the finance coming from the International Bank for Reconstruction and Development, the Arab oil states and the Japanese. Japan has already provided over £100m in aid for the project, and one Japanese company, Mitsui, has already picked up substantial canal-associated work.

Elsewhere, Port Said, Ismailia and Port Suez are to be modernised as part of a redevelopment programme in the canal zone, which will cost an estimated £6bn over the next couple of decades.

The programme will involve the construction of more road tunnels, the reclamation of land and the creation of new population centres destined to provide homes for over 2m people.

The second largest project in the country is the scheme to construct new cities in the desert to relieve the city of Cairo, which now has an estimated population of 9m and represents one of the most tangled and chaotic urban centres in the world. Its problems are accentuated by the inward drift of people from areas offering little work and low standards of accommodation, and the development of a series of overspill cities is now regarded as a major priority in the overall development programme. Four new cities are envisaged: Sadat City on the Cairo-Alexandria road, Ramadan City on the Cairo-Ismailia road, King Khaled City on the Cairo-Fayoum route and El Obour City on the Cairo-Bilbeis desert road.

Work on Ramadan City has already started at a projected cost of £400m, and activity on some of the other centres is now about to start. The prospects for system-built housing would appear to be immense.

In Cairo itself, plans are also drawn up for the first phase of a metro system, designed to help relieve some of the capital's mounting congestion problems. The cost could be as high as £600m and is being funded by the French and by Arab bankers.

The contractor aware of these plans and more and consequently considering Egypt as a market worth taking seriously would be well advised to carry out the type of background research which forms an essential preliminary to activity in any of the Arab states.

He will find the country represents a market place in which many of the alien and, for the outsider, problematical social restrictions and customs found in other Arab states do not exist. On the other hand, there are tough regulations governing the labour market and some fairly protracted requirements for establishing businesses. Egyptian private or public sector participation is usually required.

As a construction market, Egypt has enormous potential and there may be much to be gained by being among the first overseas operators to establish firm roots in the country.

There is still, however, widespread reluctance on the part of many companies to become committed in a country whose ambitions may well prove to exceed its financial capabilities. The mushrooming and liberalisation of the banking sector—involving Egyptian and foreign banks—should at least indicate that things are beginning to move in the right direction.

M.C.

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

Playing the numbers game in earnest

NOW THAT he is no longer running for President and his chronic back condition is improved, Senator Edmund Muskie has become rather good at offering a sense of perspective. Thus, he was heard to remark the other day, what is the point of worrying about a billion dollars here or there on the federal budget deficit in a trillion dollar economy?

Unfortunately, the budget for the 1980 fiscal year, beginning in October, which President Carter presents to the nation today, is one in which precise numbers have become the name of the game. Mr. Carter likes to play it himself: at his Press conference last week he claimed with pride that not only had he managed to meet his self-appointed target of reducing the deficit to $30bn but that he had actually beaten that figure by exactly $1bn. This meant, he said, that he had more than halved the deficit since he took office two years ago and showed that the federal government was earnest in shouldering its share of the burden in the fight against inflation.

Others are watching the numbers with equal intensity. One growing school of thought is currently demanding that the federal government should be prevented by constitutional amendment from running any sort of deficit. This essentially conservative movement is in the process of being taken over by Governor Jerry Brown of California, who thinks he can ride it to the White House next year, and has already been sharply criticised as "dangerous" by the President. For liberals, the promised 3 per cent increase in defence spending and commensurate cuts on social services is an abdication of domestic responsibilities, while for conservatives yet more is needed for the military to combat the Russian menace.

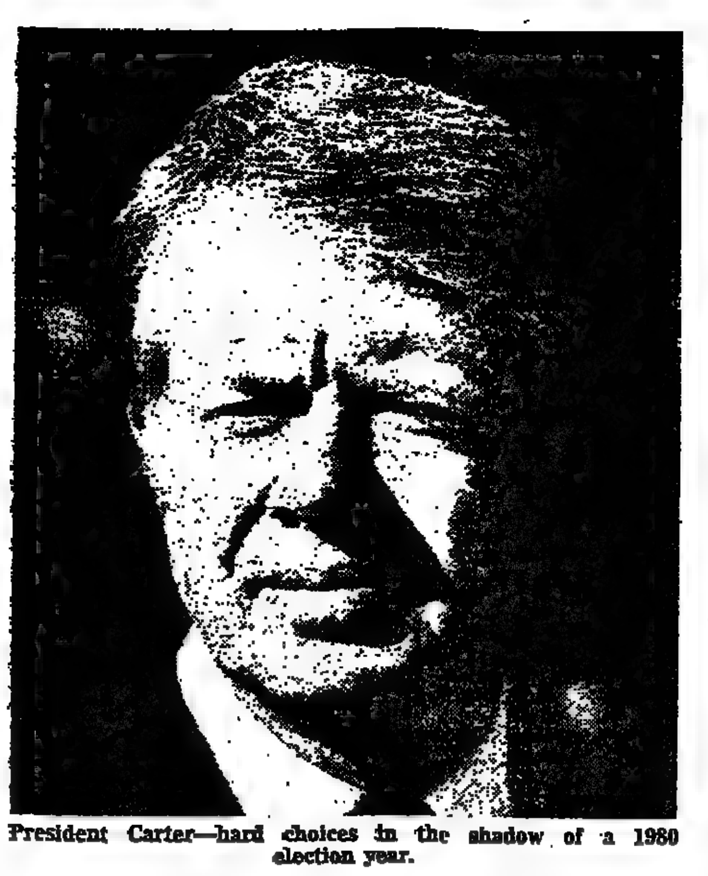
To another group, the question is what, over the coming months, Congress will do to Mr. Carter's blueprint, the main numbers of which have in any case been known for some time. Congress may be moved by fear of recession and higher unemployment to increase government spending, or impelled by a surge of austerity to cut it back further, or it could leave the overall ceilings relatively untouched while considerably changing the budget's composition. A different school maintains that the budget is more or less irrelevant and that the answer to inflation lies on the monetary side of the coin with the Federal Reserve.

Recession

The main question of the moment, into which context the budget must be placed, is whether the U.S. economy can avoid a recession (as the Administration is in a minority in believing) in the process of curbing inflation, or, if not, when it will come and how deep and long lasting it will be. There is some side debate as to whether or not the modest real rate of growth projected for 1979 by the government of 2-2¼ per cent is in reality a "growth recession" because it could be under the long-run potential expansion of the economy. But, for the most part, the focus is on the chances of the U.S. incurring a recession in the technical sense of the word—that is, two consecutive quarters with negative real growth.

Before last October, the experts were divided on when the four-year-long recovery would finally run out of steam. After the President had unveiled his austere domestic anti-inflation policies and the dollar support package, which came wrapped up in the promise of *tighter* Federal Reserve monetary polices, the consensus view among economists was that an outright recession had been made much more likely by the middle to latter half of this year, but that it would be relatively mild and short. Since then, and without much consensus, events have induced the seers—but not the Administration—to suggest that the downturn will be deeper and later, perhaps delayed until early 1980.

The principal developments have been the staggered OPEC oil price increases over the *coming year*, compounded with the possibility of further interruption of supplies from Iran, and, perhaps more important, the persistent vigour of the economy. In the final quarter of last year, figures released last week showed Gross National Product rose by 6.1 per cent in real terms at an annual rate, more than double the expansion of the preceding three months. The principal factor was the buoyancy of consumer spending, but the data also demonstrated what Administration officials have been maintaining for months—that the *economy, remarkably* so given the length of the recovery from the 1974-75 recession, remains in extremely good balance.



President Carter—hard choices in the shadow of a 1980 election year.

Most of the vital organs seem to be working well. Industrial production continues to advance respectably, the nation's factories are operating at over 85 per cent of capacity and there are only isolated cases of potential bottlenecks and supply problems in evidence. Inventories are in a comfortably low ratio to sales, with few signs of the frenetic build-up and subsequent sharp reduction of stocks that characterised the onset of the last recession. Housing starts are still running at well over the 2m units per annum level in spite of higher interest rates and, while this is likely to drop somewhat, it is generally accepted now that the new money market instruments put out by the housing institutions provide the industry with a degree of insulation from the worst monetary travails that it has not enjoyed before. Personal income is advancing healthily and if the savings rate remains too low and consumer debt too high there is no real suggestion yet that consumers are embarking on a last wild spending spree before the Titanic goes down. At the same time, business spending plans, while lower than the Administration might like, do not seem to be on the verge of disappearing through the floor.

Moreover, as Professor Samuelson so eloquently pointed out in this space on New Year's Eve, the broad-based growth of the economy has enabled the country to accommodate a far greater expansion in the labour force than had been forecast. Failure to meet the demand for jobs—more than 7m were created in the last two years—would have exacerbated domestic social strains, as well as placing a much heavier burden on the federal budget. Unemployment is still under 6 per cent and a higher proportion of Americans are in work than ever before.

Thus, viewed entirely in its domestic productive context, the U.S. economy is in by no means bad shape. The fourth quarter statistics suggest that it still has the sort of life in it which may take some time to expire in spite of the constraints being applied by the fiscal and monetary authorities.

But the perceived cancer in the economy is inflation, which, at the consumer price level, rose to over 9 per cent last year and which has been showing no signs of abatement. The Administration maintains that it is at least getting no worse and is projecting about 7.5 per cent over the course of this year, according to the President's "real wage insurance" proposals unveiled last week. But the asumptions contained *therein are frequently challenged.*

This is hardly surprising if one considers the array of inflationary items that could exert substantial upwards pressure on costs and prices if all goes badly — foreign and domestic oil price increases, social security and minimum wage increases mandated by act of Congress, the outside chance of Congress insisting on further tax cuts, the residual consequences of last year's dollar deterioration and the possibility of further future weakness, the imponderabilities of the harvest (with the citrus crops in California and Texas already badly damaged this winter), plus the probability of additional expensive support programmes for domestic agriculture, and the assertion of protectionism in Congress. Combine this list with the impact of high interest rates and the distinct chance that both the unions and the corporate sector will flout the wage and price guidelines and the potential for inflationary disaster is apparent.

Guidelines

The converse—which the Administration has no alternative to promulgae unless it simply succumbs to either a major recession or fully-fledged wage and price controls—is that the worst case will not materialise, that the Administration's multi-pronged but still essentially gradualist and balanced policies will take hold and even, *mirabile visu*, that the nation will respond to the inflationary threat and abide by the guidelines.

Pruning the budget deficit is an integral part of this strategy and there is nothing in President Carter's character to lead one to believe that he will not stick to his austerity guns. But this year economic considerations may not be taken in isolation, for 1980 will bring the next presidential election. It is assumed that Mr. Carter will run again and, it is entirely logical to assume that all Mr. Carter's political advisers will be telling him that if the economy is not moving in the right direction by the spring of 1980 then he may be in trouble. He could be attacked from inside the Democratic party from both the neo-Right (into which category Governor Brown has now placed himself) and the Left (Senator Kennedy), with the Republicans, if they ever resolve their own leadership problems, enjoying the spectacle and seeking to benefit from it.

Mr. Carter might find that the country prefers his middle-of-the-road policies to the solutions offered from the flanks, but that is a large gamble. In 1971, in not dissimilar circumstances, President Nixon caved in to the same pressures in pursuit of re-election. If the economy starts showing signs of incipient collapse towards the end of this year, and given the time lag between the introduction of more stimulatory policies and the response to them, Mr. Carter might find himself contemplating rather different economic policies just at the very moment when the budget he presents this morning is to go into effect. That, perhaps, is what Senator Muskie had in mind when he wondered about the significance of the odd billion dollars here or there, for the numbers game can very quickly change.

U.S. FEDERAL BUDGET DEFICIT

(fiscal year)	$bn
1970	2.8
1971	23.0
1972	23.4
1973	14.8
1974	4.7
1975	45.2
1976	66.4
Transitional quarter*	13.0
1977	45.0
1978	48.8
1979 (est.)	40.0
1980 (est.)	29.0

* Change in fiscal year from July-June to October-September.

Letters to the Editor

Civil Service pay

From Mr. A. Furse

Sir,—I'm sure that Mr. Layborn's letter (January 18) will be carefully considered by the four voting members of the Pay Research Unit Board, and I look forward to seeing details of their qualifications and their current and previous employers or posts.

I would also like them to consider the following: on April 5, 1978, you published a letter from Mr. B. Davies. It included the following astonishing statement: " . . . the comparison which needs to be made by the Government Actuary is not . . . with the post retirement increases currently provided by the generality of pension schemes. Rather it is with the pension schemes of the restricted group of employments used as analogues by the Pay Research Unit, and that study showed that these schemes are expected to provide more generous inflation proofing than the average scheme." " . . . National Association of Pension Funds surveys which cover the post retirement increases currently provided by the generality of pension schemes . . ." by implication should not be used.

If Mr. Davies is properly informed—the cat is out of the bag. The Pay Research Unit restricted its investigations so that only schemes which provide the most generous inflation proofing were studied or to be more succinct, it "decided the answer required and adjusted the evidence to fit it."

May I therefore add to Mr. Layborn's admirable plea, the request that the Pay Research Unit Board should make careful inquiries about this aspect of the analogue schemes chosen, and satisfy itself that an independent organisation like the NAPF considers it to be representative of the generality of schemes and that the degree of inflation proofing on the analogue schemes chosen is not abnormal.

If any of the PRU's findings are eventually published, it is difficult to conceive how facts concerning this aspect could be omitted without destroying the credibility of the PRUB and reducing the status of the Government Actuary to that of civil service spokesman on actuarial matters.

From Mr. A. Furse
Nerouis,
Mold,
Clwyd.

Men, women and differentiation

From Monica Allanach

Sir,—I was surprised to see that a report (January 18) of a speech by Baroness Lockwood, when she was a guest at a private actuarial function, had appeared in the Press. Since, however, a report has appeared, I feel that I should comment on two aspects of it.

It appears that Baroness Lockwood is trying to "instruct" actuaries as to how they should advise their clients on premium rating. This seems to me to be tantamount to interfering with their professional status. While the law is as it is, actuaries have a duty to advise their clients as to the most appropriate rates they consider should be adopted, taking into account not only actuarial and other data, but also any other relevant factors. Thus, far from regarding the section of the Act to which she refers, as a "loophole" I regard it as a provision supporting the professional standing of actuaries and hence the advice which they give.

This advice may or may not involve "differentiation" as regards rates but it certainly does not, in my view, involve "discrimination" with the more emotive connotations which this latter word conjures up. I would suggest that there is a very wide difference in fact between the word "discrimination" which implies unfairness or inequity, and the word "differentiation." Actuaries may "differentiate" premium rates for a variety of reasons (not only sex) if, in their judgment, to do otherwise could result in inequity between class of policyholders. To this end, they seek to take into account all the relevant factors and advise appropriately as the combined evidence of these appears to them. Thus, to take an example not given by Baroness Lockwood, women have for many years enjoyed cheaper life assurance premiums than men!

If taking all relevant factors into account, evidence on morbidity were to emerge running counter to that which exists at present, then no doubt actuaries generally would feel able to recommend universally to their clients that they could cease to differentiate. Unless and until this happens, I would have hoped that individual actuaries would be left free to exercise their professional judgment and recommend "differentiation" or not as they thought appropriate in the light of all relevant factors. It follows from this that I would also hope that their action would not be construed as "discrimination" with all that the use of that word implies.

Monica C. Allanach.
155 Copse Hill, SW20.

Engineering design

From Mr. S. Pugh

Sir,—The Financial Times fires yet another broadside (January 11) in support of better product design with its summary, discussion and editorial comment upon the Corfield report. This we place alongside Feilden, Galloway, Carter, Moulton, all of which contain sound and reasoned arguments and recommendations in the same vein, spanning a period of 16 years. Many people reading your articles and the report *itself* will nod in agreement and in some instances the adrenalin will flow a little faster for a few milliseconds before returning to normal and the maintenance of the *status quo* on all fronts.

Indeed, your editorial makes the most important and erudite point when it says "the educational section deserves the most urgent attention" and goes on to say that the Carter and Moulton recommendations have yet to be implemented. I would suggest that the key to the whole question is implementation. Has Mr. Corfield given thought as to *how his own and* previous recommendations may be brought into being, with intent, in the educational sector?

Having spent the past eight years in this sector, for the most part teaching design, while at the same time endeavouring to make it a respectable bedfellow of research, I make the previous statement with a certain amount of feeling. To my mind, the implementation of any such proposals wil require, in order of magnitude, shift of attitude, enlightened engineering educational management, coupled with a realisation that time is not on our side.

Stuart Pugh
(Smallpeice Reader in Engineering Design, Engineering Design Centre), University of Technology, Loughborough, Leicestershire.

The heart of the matter

From the Secretary, The Institution of Mechanical Engineers

Sir,—Your very comprehensive coverage of the main recommendations of the Corfield report (January 11) on engineering design prepared for the National Economic Development Council is to be applauded. In the recent flurry of activity aimed at improving our manufacturing performance and, in particular, the education and training of engineers for manufacture, there was some danger that design, an equally important area might be overlooked.

My institution is in agreement with most of the recommendations made, but for brevity I would just comment on one, namely, "that professional institutions should examine their membership requirements to see if more prominence should be given to design qualifications." In this institution, design is considered to be the "heart" of mechanical engineering and all corporate members must have received design training and have post-training experience either in design, development or a related field. As far as academic courses are concerned, we are just embarking on a complete review and accreditation of mechanical engineering degree courses and one of the criteria will be an acceptable design element. Thirty-two per cent of our chartered engineer members are practising designers or managing the design function, plus a further 40 per cent of our graduate members.

We are, therefore, very much involved with the design aspect of mechanical engineering and will gladly co-operate with the NEDC or any other appropriate body to raise the standard of design in the UK industry.

Alex McKay,
1 Birdcage Walk, Westminster, SW1.

Market pull

From the Managing Director, DMS Teltech Systems

Sir,—One aspect of your critique of "A cure for the ills of product design" (Management page, January 19) is surprising. In two ways it queried the need for marketing control of design. To quote " . . . the identification of a market need *or want should be the first* phase . . . (. . . this rather controversial statement)" and "the project should be the result of market pull. But what of all the financially successful innovations which have come out of production or the laboratories, the result of technology push."

Surely Christopher Lorenz should cast his eye over the considerable weight of research evidence showing that innovations based upon market pull have a significantly higher success rate than those based upon technology push. My experience has produced a similar weight of evidence, particularly pointing towards the inability of UK management to grasp this point. More recently, research comparing management of integrated circuit innovations in the U.S. compared to the UK, has highlighted the same thing as one of its findings.

Thank goodness that somebody of the standing of Mr. Corfield should offer such constructive criticism and prescriptive advice. The path for industry in this country to renovate itself and compete in world markets is not a cheap one, but lies in such good management, based upon intelligent experience and common sense.

David Mason,
Regency House, 1-4, Warwick Street, W1.

Application required

From Miss E. Barrie

Sir,—Lord Peart (January 5) warned that "the one sure recipe for increasing unemployment will be to respond too slowly" to micro-electronics technology. Is Lord Peart aware of the time taken by the Manpower Services Commission to give applicants for retraining firstly an interview, secondly a decision and thirdly, a training opportunity. I give below my experience.

Nov. 1977	— First discussion with TOPS (training opportunities scheme)
Dec.	— Application for course in electronic servicing
Jan. 1978	— Mathematics test
Apr.	— Selection interview postponed by TOPS
Sep.	— Interview postponed by me
Nov.	— Final interview and acceptance
Nov.	— Letter of acceptance informing me that there is an 8-12 month delay before start of training.

The course, when I do start it, is 40 weeks long. The whole process will have taken 3 years.

(Miss) Eyvor Barrie
6, Newton Avenue, W3

Learning is useful

From Mrs. J. Brown.

Sir,—I was interested in your article on language reading (January 13).

Most schools act as if the only road to acquisition of another language is via "O" and "A" and a degree in the subject. Every teacher enjoys his or her part in this process—but there are alternatives.

As a teacher of Russian for several years, I often found that pupils doing the subject "for interest" at VIth form level for a year or two, got a quick grasp of essentials, and felt the excitement of having a window on another part of the world.

The teaching profession, both in and after school, need not be afraid of admitting that language is a means of communication, as well as something to study for its own sake.

A little learning may be a dangerous thing, but it is often very useful.

Mrs. Joan Brown.
24, Moor Drive, Leeds.

Today's Events

GENERAL

UK:—Public Service workers on one-day strike, with a march from Speakers' Corner to Parliament.

Mr. Gordon Richardson, Governor of the Bank of England, addresses biennial dinner in Glasgow of the Institute of Bankers in Scotland.

TUC-Labour Party liaison committee meets, Congress House, London.

Prime Minister attends "What the Papers Say" awards for journalism lunch, Savoy Hotel, London.

Manchester faces one-day bus strike.

Hearings of the Department of Trade applications for winding up petitions on two "fringe" banks—Barnett Christie and Kendal and Dent—open in Court 27 at the High Court.

Mr. R. S. Clarkson presents paper on a mathematical model of the gilt-edged market at the Institute of Actuaries, London.

Sir Kenneth Cork, Lord Mayor of London, lunches with Sir David Orr, chairman of Unilever, at Unilever House, London.

Overseas: — President Carter presents to Congress his budget for fiscal 1979.

Mr. Andrei Gromyko, Soviet Foreign Minister, arrives in Rome for five-day official visit, including an audence wth Pope John Paul II.

Officials and politicians from 20 Asian developing countries meet in Hong Kong for five-day multinational trade talks.

Talks on international wheat agreement resume in Geneva.

Japan and U.S. discuss economic prospects in each economy during 1979-80, at meeting in Tokyo.

OFFICIAL STATISTICS

Industrial and commercial companies' appropriation account, acquisition of financial assets and net borrowing requirement (third-quarter). Cyclical indicators for the UK economy (December).

PARLIAMENTARY BUSINESS

House of Commons: Motion to appoint joint committee on special commission on oil sanctions.

COMPANY RESULTS

Final dividends: Alexanders Discount Company. Greenfriar Investment Company. Hall Brothers Steamship Company. Leda Investment Trust. Interim dividends: Imry Property Holdings. Interim figures: F. Wrighton and Sons (Assoc. Cos.).

COMPANY MEETINGS

See Financial Diary on page 31.

NSS Newsagents well placed for further growth

THE CURRENT strategy applied by NSS Newsagents form a sound basis for forward movement of profits, says Mr. P. H. Byam-Cook, the chairman. The group's main expansion effort continues to be in the acquisition of good confectionery, tobacconist and newagent businesses and the impetus in this field will be maintained he says.

Marketing expertise is to be strengthened to improve buying controls and contribution to profit of such products as toys, stationery, books records and cards. In addition more resources are to be allocated to modernising, extending or relocating exising profitable branches to enhance productivity of existing outlets.

The directors remain confident about prospects for the group's main centre stores. The rate at which they are developed is governed by the availability of both suitable sites and of management resources, the chairman explains. At present the company operates more than 20 such stores with retail area ranging from 2,000 to 15,000 sq ft.

For the second year in succession 1977/78 saw cigarette manufacturers heavily promoting king size cigarettes. This has undermined brand loyalty as customers purchase the latest promotional offer with the result that the newsagents find it difficult to maintain tight stock levels.

The cost to NSS as a multiple providing the necessary security, promotional space and extra stocks coupled with the need to *offer cut-price terms in many* stores, allows only a bare margin on the present pricing structure, Mr. Byam-Cook comments.

Overall sales for the year to October 1, 1978, were ahead to £56.65m (£47.09m) and taxable profit reached a record £3.72m (£3.16m) as reported December 6. Net margins were, however, lower at 6.6 per cent (6.7 per cent).

Working capital at year end was down £250,000 (up £656,000) and capital commitments amounted to £913,000 (£207,000) of which £47,000 (£152,000) had been authorised but not contracted.

The net dividend is raised to 2.37p (2.1225p).

Meetng, Woking, Surrey, February 13 at 2.30 pm.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals, and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interim: Imry Property.

Finals: Alexanders Discount, Greenfriar Investment, Hall Brothers Steamship, Leda Investment Trust.

FUTURE DATES

Interims—	
Smith (David S.)	Jan. 23
Syltone	Jan. 30
Vogelstruisbult Metal	Jan. 24
Finals—	
Pratt (F.)	Feb. 7
Romney Trust	Feb. 15
Smallshaw (R.) (Knitwear)	Jan. 25

Sales lower for Leeds & District Dyers

First quarter sales at **Leeds and District Dyers and Finishers** dipped by 7½ per cent but Mr. A. Mortimer, the chairman, estimated that profits remained steady.

Even so the upheaval caused by the refurbishment of the Scott Rhodes complex was going to remain for the rest of the year, he told the annual meeting.

He, therefore, saw no reason to change his earlier view that profits would be hard to earn in the current year and would fall short of the level in the previous two years when the pre-tax surplcs topped £1m.

He explained that it was quite impossible to give any real indication of the profit achieved during the first three months. His assessment took into consideration all the problems posed by the ending of consequential loss insurance and the costs of re-organisation.

Progress on reshaping at Bellway

CONSIDERABLE progress has been made in obtaining the necessary tax clearances preparatory to plans for segregating the company property development interests from its housebuilding and associated activities, Mr. John Bell, chairman of **Bellway Holdings** told yesterday's annual meeting.

He added that the board hoped to submit reconstruction proposals to shareholders as soon as possible with the aim that they would come into effect before the end of May.

Last year the group lifted pre-tax profits from a depressed £139,000 to £3.72m.

United Guarantee

Pre-tax profits of **United Guarantee (Holdings)** stood at £315,780 in the year to September 30, 1978. In the previous year, profits were £315,585 after extraordinary credit of £118,025.

After tax of £168,757 (£68,779), earnings per 5p share were shown up from 2.494p to 2.847p. The net dividend is raised from 0.181p to 0.202p.

Turnover was down slightly at £4.14m against £4.43m.

Lloyds & Scottish outlook

CONSIDERABLE resources are held by **Lloyds and Scottish** in all areas of its activities. Even so the extent to which its strengths will be reflected in improved results will much depend on factors outside the directors' controls, George Duncan, the chairman, explains in his annual statement.

Minimum lending rate at 12.5 per cent, the continued rise in the overall cost of funds and the Government's fiscal and monetary policies against inflation, are factors which will not favour the company's operations he says.

The group will, however, benefit from the release of funds following the sale, in December, of British Relay and Wireless and Television for some £61m.

The effect of this sale and the acquisition of Cedar Holdings, now accepted by holders of 97 per cent of the equity, is indicated in a pro-forma balance sheet as at September 30, 1978. This puts net assets at an adjusted £560m, against an actual £575.6m, net borrowings lower at £425.8m, compared with a reported £457.8m and investment in televisions on rental and relay networks down from £35.9m to £5.7m.

As reported December 16, group pre-tax profit for 1977-78 climbed from £17.39m to £26.21m on turnover of £181.2m (£159.1m) and the net dividend is raised to 4.40692p (3.9465p).

Though the directors do not regard the Hyde Guidelines on CCA accounting as entirely satisfactory when applied to a predominantly financial company, a supplementary statement on this basis shows profit cut to £22.5m by additional depreciation of £4.5m and extra costs of sales of £0.9m less a gearing adjustment of £1.7m.

Net liquid funds at year-end were down £84.43m (£65.96m) with bank loans and overdrafts up from £16.78m to £27.06m. Reflecting further growth in all areas of the group's financing activities debtors and factored debts were up £141.3m at £479.6m.

Meeting, Hyde Park Hotel, SW, on February 14 at noon.

BIDS AND DEALS

Peak to sell off electronics side

THE electronic interests of **Peak Investments** "have made a consistent contribution to group profits" says Mr. R. Dingle, a director, in a circular proposing to shareholders that this section of the business should be sold to Nissa, an Irish company 56 per cent owned by Peak's chairman, M. J. Finch.

Mr. Dingle recommends the sale on the grounds that "it is of major importance to the company that there should be a substantial injection of cash."

The circular shows that in the last financial year, the electronics side of the business made a profit before tax, bank interest and group management charges of £108,435 compared with £45,869 for the group as a whole.

Proceeds of the sale will amount to Irish £650,000. Net assets of the electronics interests amounted to £300,399 at May 31, 1978. At that date £296,415 was owed by those companies to Peak Investments. This indebtedness will not be transferred to the purchaser.

Mr. Finch and Mr. J. Bloice, the managing director of Peak Electronics who also has a stake in Nissa, have undertaken not to vote at the EGM of Peak at which shareholders will be asked to approve the deal.

On the future of Peak without the electronics business, Mr. Dingle says the company would have sufficient cash resources to enable Peak Trailers to move to more satisfactory premises. After the re-organisation, Peak would *consist of Peak Trailers and* three income producing investment properties in the Stockport area. Peak's directors believe that there is a good future for the company's products despite the difficult conditions in the last 18 months.

AYRSHIRE METAL

Ayrshire Metal Products is to discontinue the sale and manufacture of office and factory partitions which has not sold well for some years. It says it has authorised substantial investment in its principal activity at Irvine.

WESTWOOLS/WESTERN LIVESTOCK

Westwools Holdings announced that agreement had been reached with Citicorp Australia, to purchase that company's shareholding of 1.48m shares of 30 cents each in the capital of Western Livestock.

In making the announcement, Mr. F. R. Blakiston, managing director of Westwools, said the purchase price of the shares was 24.5 cents each and represented 43.5 per cent of the issued capital in Western Livestock.

Westwools intends, subject to governmental and statutory approval to take over the remaining issued shares on terms not less favourable than 24.5 cents per share.

When both Boards have had discussions more specific information will be advised to the respective shareholders.

Western Livestock's operations cover wool broking, wool trading livestock, rural merchandise, fertilisers and the sale of rural property.

J. BARRAT TAKEN OVER

The assets and goodwill of *J. Barratt the Staffordshire based* engineering concern has been acquired by local businessmen in a deal thought to be worth more than £500,000.

As part of the deal Industrial and Comercial Finance Corporation is to take a 30 per cent stake in the company set up by the businessmen Mr. P. J. Bailey and Mr. A. H. Leonard, to acquire the Barnatt's business and will also provide the company with a £400,000 long term loan facility.

WIMPEY IN BRAZIL

WIMPEY has formed George Wimpey do Brasil to co-ordinate its activities in Brazil. Mr. Peter Cook has been appointed director general based in Rio de Janeiro.

ISSUE NEWS

Offer for sale by Caledonian

The prospectus is published today in connection with the offer for sale of **Caledonian Holdings**, formerly Stenhouse Industries.

Proceeds will amount to about £5.94m net and will initially be used to reduce Stenhouse Group's borrowings and to create additional liquidity.

The offer for sale—by Noble Grossart—is of 10m ordinary shares of 25p each at a price of 65p per share. In order to assist Stenhouse shareholders to retain an interest in Caledonian, preferential consideration will be given to applications from such shareholders in respect of a maximum 1m shares.

The directors of Caledonian are not making a forecast for the current year to September 30, 1979, but say they are confident of being able to report "satisfactory" results.

However, assuming a 10 per cent increase on last year's £2,443,000 pre-tax, the company is coming to the market on a prospective fully-taxed p/e of 5. On the forecast dividend of 4.75p net the yield is 10.9 per cent.

Caledonian is a diversified consumer products group with about a third of profits coming from engineering products, about 30 per cent from jewellery, just over a quarter from home improvement products and the balance from ladies hosiery.

Most of the present trading subsidiaries were formerly part of John Wallace and Sons. The group currently employs some 2,800 people.

Since 1974 Caledonian's sales have grown from £22m to £41m for the year ended September 30, 1978.

Profits in 1974 amounted to £1,662,000, fell back slightly over the next two years but then recovered to £2,024,000 in 1977, rising to £2,443,000 the following year.

At September 30, 1978 shareholders' funds stood at £6,991,000 representing a net asset value of 69.91p per share.

Mr. Roy Burns, Caledonian's chairman, reports that there was a good start to the current year, particularly in the home improvement division. For the long term he believes the company can maintain a good return on capital employed.

At December 31, 1978 the company's indebtedness stood at £3.56m, including outstanding unsecured bank overdrafts of £0.6m, secured vehicle stocking finance of £0.23m, acceptance credits of £0.5m, secured loans of £88,012, unsecured loans of £37,553, unsecured loan stock of £1.64m, leasing and hire purchase commitments of £0.25m and guarantees of £0.22m. In addition Caledonian owed £0.33m on current account to Stenhouse.

Brokers to the issue are W. Greenwell and Co. and Parsons and Co.

Application list opens and closes on Thursday.

● comment

As part of Stenhouse, Caledonian's profits record over the last five years has been erratic and unspectacular. Caledonian is certainly no glamour stock. Basically, the company is an industrial conglomerate with an unusual mix of activities—a factor which makes comparisons difficult. The engineering side—the largest single division—is not a star performer, in spite of being involved in the motor and domestic appliance industries, both of which have been buoyant recently. Also jewellery manufacture, almost as important, seems to be lagging behind the profits performances of the major retail chains. The only jewel in the crown seems to be the home improvement division, where profits should make good headway on the back of the DIY boom. Overall, assuming a £2.7m pre-tax outcome this year, the prospective fully-taxed p/e of 5 reflects the unexciting outlook but the offer should go well because of the well-covered yield of 10.9 per cent, ensuring a small premium.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Kitchen Queen (Section: Drapery and Stores).

Northern Goldsmith (Section: Drapery and Stores).

NEW LOAN FOR ALLIANCE INV.

Alliance Investment Company has arranged a new loan of Y200m with Morgan Guaranty Trust Company of New York for a period of about two months to March 20 1979.

MINING NEWS

Gold output marks time

By Stephen Thompson

SOUTH AFRICAN gold production in 1978 showed only a marginal increase over that of 1977, which was the lowest amount produced for 16 years. The South African Chamber of Mines reports that the December output of 1,760,697 oz brought the year's total to 22,625,995 oz compared with 22,409,486 oz in 1977.

Thus, despite the rise in the gold price from just under $170 per ounce at the beginning of 1978 to $226 at the end of the year—it was $229⅝ on Friday—South Africa's gold production remains at about 700 tonnes a year. The world's second largest producer is the Soviet Union with estimated annual exports of 300-400 tonnes.

Higher gold prices have given the South African mines the opportunity of milling more of the lower grade ore which was previously uneconomic. The resulting production of gold has thus remained fairly static, but earnings have moved sharply ahead despite the continued rise in costs which was of the order of 16 per cent last year.

Dividends have also moved on to the rising trail and the now completed declarations for the second half of 1978 are compared in the following table.

GOLD DIVIDENDS

	Dec. 1978 cents	June 1978 cents	Dec. 1977 cents	June 1977 cents
Blyvoor	*40	33	*30	25
Buffels	*80	110	*60	90
Doornf'tn	*20	30	*20	10
Durban	50	*nil	nil	*nil
E. Dagga	nil	*25	20	*nil
E. Drie.	75	*40	43	*35
E.R. Prop.	10	*nil	nil	*nil
Elsburg	7.8	*5.2	4.55	*3.9
Grootvlei	22	*16	14	‡*10
Hartebst.	110	175	*75	70
Kloof	*30	25	*15	15
Libanon	*50	60	*40	40
Marievale	38	*32	24	*22
R'ndf'tn	250	*200	200	*150
S.A. Lands	25	*nil	nil	*nil
Southvaal	57	—	21	—
Stilf'tn	50	*16	11	*11
Vaal Rfs.	180	*100	60	*55
Venters	*15	20	*5	5
Vlakft'n	10	*nil	15	*10
W. Areas	12	*8	7	*6
W. Drie	*200	250	*135	145
W. Deep	82.5	*65	47.5	*35
W.R. Cons.	10	*7.5	10	*3
Zandpan	*18.6	29.5	*12	11.5

*Denotes interim.
‡Including capital return of 5 cents

INTNL. COMPANIES and FINANCE

Grace offer for Daylin poses problem for Narco

BY JOHN WYLES IN NEW YORK

DAYLIN INC., the target of a $130m bid by the W. R. Grace group, is expected to make further strenuous efforts this week to pull off a $68.4m merger with Narco Scientific, a hospital equipment manufacturer.

It seemed on the face of it last week that Daylin had made Narco an offer it could not refuse. The $38 per share proposal is a full $10 per share more than an offer Narco recommended its shareholders to accept from the Rorer Group. At about 18 times Narco's anticipated 1978 earnings, Daylin's bid is well above the "going rate" for takeover bids and is 2.4 times Narco's book value.

Daylin's evident keenness to acquire Narco is sparking suspicions that its main purpose is to drive away Grace, in which West Germany's Friedrich Flick Group has a 29 per cent stake. However, some of Daylin's own shareholders are upset about the approach to Narco because if it succeeds it will largely account for Daylin's $46m cash reserves. Moreover, many think a higher offer from Grace is likely.

Meanwhile, Narco is worried about Grace looming in the background and the Pennsylvania company issued a statement on Friday indicating that it was tempted by the offer. But it asked Daylin to consider making a part cash, part tax free stock transaction, as Rorer had proposed and it also asked for "additional information and assurances" to make certin that its shareholders will receive a $38 a share offer and will be able to accept it.

"Without such certainty, we think it unwise to risk the likelihood that our shareholders would lose an otherwise attractive offer from Rorer."

Grace has so far refused all comment on Daylin's bid for Narco. Some analysts think Grace might withdraw, for it has a history of dislike of unfriendly takeovers. However, its initial $3.75 per share offer for Daylin was not overgenerous and the company may be tempted to fuel the small fire of discontent among Daylin's shareholders by boosting its offer.

Troubles in discount sales division add to Food Fair loss

PHILADELPHIA—Food Fair, which is operating under Chapter 11 of the Bankruptcy Laws, expects to report a loss for fiscal 1978 (July 29) of about $52.5m, compared with a year-ago profit of $7.4m.

Food Fair estimated fiscal 1978 sales of $2.8bn, compared with $2.4bn last year.

The company said the projected 1978 loss includes a pretax loss of about $61.3m, of which $19.2m is attributable to its J. M. Fields discount merchandising division.

Food Fair said the 1978 amounts are subject to completion of an audit currently being conducted by Laventhal and Horwarth, its independent accountants.

Mr. Grant C. Gentry, Food Fair's newly-elected chairman, noted that the preliminary results do not include the effects of store and facilities closed since July 29 last year.

Food Fair said the final report for fiscal 1978 should be ready in about four to six weeks.

The company also said its auditors plan to disclaim an opinion on that earnings statement, primarily due to their *inability to rely on the adequacy* of the internal accounting controls of the J. M. Fields division.

Food Fair said its management previously had announced a cumulative profit of $282,000 for the first nine months of fiscal 1978.

In view of the reported loss for the year, however, Mr. Gentry said he has requested *Touche Ross to conduct a review* of the previously reported nine months earnings and for the 28 weks ending February 10, 1979.
Reuter.

SEC to investigate bid

WASHINGTON — United Technologies Corporation said that the Securities and Exchange Commission is investigating its tender offer for Carrier Corporation to see if any violations of securities laws are involved. The disclosure was made in papers filed here with the SEC.

United Technologies last month tendered for Carrier Stock and currently owns 16.7m shares, or nearly half of the outstanding stock.

The Justice Department, citing alleged anti-trust violations, has filed suit to block the takeover, and United Technologies is now under a temporary restraining order barring it from further purchases of Carrier Stock.
Reuter

Banking collapse averted in Spain

By Robert Graham in Madrid

THE GOVERNMENT and the banking community have stepped in to avert the collapse of a small family-owned industrial bank, Banco de Granada, and its subsidiary, Banco de *Credito Comercial. In a* hurriedly agreed move, Banco de Granada has been taken over by the Corporacion Bancaria—the so-called "bank hospital" formed last year by the Bank of Spain and the banking community.

This is the fourth time since the formation of the Corporacion Bancaria last February that it has been obliged to take over an ailing bank. The last occasion was just prior to the referendum in early December, when it acquired a medium-sized family controlled commercial bank, Banco de Valladolid. Neither the banking community nor the Bank of Spain were particularly happy about such action as the "bank hospital" was originally conceived very much as a stop gap measure to ensure confidence in the banking system. Indeed, it was hoped among bankers that the first two banks acquired — Cantabrico and Meridional — would also be the last.

The decision to intervene in the case of Banco de Valladolid and now again with Granada and its subsidiary is understood to be the result of strong political pressure from the Government, now gearing up to fight a general election. The general election is less than six weeks away. In the case of the Banco de Valladolid, it was argued that the Government could ill afford to let a bank go to the wall when the consitution referendum was imminent.

Banco de Granada is approximately 51 per cent owned by the Rodriguez Acosta family. It is this share that the Corporation Bancaria has bought, for a nominal peseta.

CURRENCIES, MONEY and GOLD

A tale of two evils

BY COLIN MILLHAM

Interest rates in the strongest economy in Europe—West Germany—moved in the opposite direction from most other countries on the Continent last week, illustrating some of the problems of running such an economy and a very firm currency.

Mr. Callaghan would probably exchange his present troubles for those of West Germany, but Bonn does face a dilemma at the moment over economic performance and monetary growth.

While credit conditions were eased in Belgium and Italy, Dutch short-term interest rates were also cut, and day-to-day money in Germany was rather different however, with the Bundesbank raising its Lombard rate by ½ per cent to 4 per cent and increasing the minimum reserve ratios of banks on Thursday, as a move to drain some of the liquidity out of the domestic money market.

The Belgian National Bank cut the rates on short-term Treasury certificates once again last week, after a reduction of its Lombard rate of ½ per cent to 8 per cent and a fall in the discount rate on the penal "B" quota. At the same time the Bank of Italy eased its restrictions on the expansion of Bank credit, and monetary conditions tended to ease in Holland, although credit shortages are likely to continue in the short-term. On Friday a Dutch bank announced a cut in its prime rate by 1 per cent to 11 per cent in response to declining interest rates in Amsterdam, and this is expected to be followed by other banks. In Paris on Friday call money fell to 6 per cent, from 7 per cent, the lowest level since January 13, 1976.

The French move was purely technical, while many of the others were a reaction to trends which have been developing for some weeks.

In Frankfurt the tightening of credit was largely caused by the sharp growth in Germany's broadly defined money supply last year, to an annual rate of 11½ per cent, against a target of 8 per cent. Coupled with strong economic growth, German officials obviously feel that the money supply figures hold a threat of increased inflation.

Switzerland has suffered from similar problems for the same reason.

CURRENCY RATES

Jan. 19	Special Drawing Rights	European Unit of Account
Sterling	0.645067	0.679117
U.S. dollar	1.29483	1.36307
Canadian dollar	1.53748	1.61962
Austrian schilling	17.4316	18.38864
Belgian franc	37.5857	39.5795
Danish krone	6.61140	6.95915
Deutsche Mark	2.37850	2.50707
Guilder	2.57024	2.70592
French franc	5.47434	5.76440
Lira	1079.56	1137.13
Yen	255.082	269.845
Norwegian krone	6.56054	6.89239
Peseta	90.2432	95.0403
Swedish krona	5.61374	5.91534
Swiss franc	2.16560	2.27836

GOLD

	Jan. 19	Jan. 18
Gold Bullion (a fine ounce)		
Close	$229¾-230¼	$231-231½
Opening	$229¾-230½	$227-50
Morning fixing	$229.90	$227.80
	(£114.873)	(£113.818)
Afternoon fixing	$229.55	$231.75
	(£114.594)	(£115.270)
Gold Coins, domestically		
Krugerrand	$243½-245½	$244-248
	(£121¼-122¾)	(£121½-122¼)
New Sovereigns	$66½-67½	[illegible]
	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
	[illegible]	[illegible]
Gold Coins, internationally		
Krugerrand	$238-240	$237-259
	(£118-119)	(£118-119)
New Sovereigns	$60½-62½	$60-62
	(£30¼-31¼)	(£29½-30½)
Old Sovereigns	$66½-68½	$66-68
	(£33¼-34¼)	(£32½-33½)
$20 Eagles	$295-300	$297½-299½
$10 Eagles	$162-167	$162½-167
$5 Eagles	$108-111	$108-110

THE DOLLAR SPOT AND FORWARD

Jan. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Canada†	84.13-84.25	84.22-84.25	0.02c dis-0.01c pm	—	0.01-0.04c pm	0.21
Nethlnd.	1.9843-1.9900	1.9885-1.9900	0.52-0.47c pm	3.07	1.67-1.62c pm	3.30
Belgium	29.02-29.07	29.04-29.07	8-5½c pm	2.94	20-18c pm	2.51
Denmark	5.1000-5.1150	5.1100-5.1150	1.00-1.50ore dis	−2.84	3.20-3.70ore dis	−2.70
W. Ger.	1.8370-1.8435	1.8425-1.8435	1.18-1.13pf pm	7.58	3.24-3.19pf pm	7.42
Portugal	46.50-46.65	46.55-46.65	28-38c dis	−8.50	50-115c dis	−7.08
Spain	69.72-69.84	69.79-69.84	15-25c dis	−3.33	70-80c dis	−4.30
Italy	833.50-834.50	834-834.50	0.95-1.35lire dis	−1.46	2.90-3.50lire dis	−1.38
Norway	5.0550-5.0660	5.0620-5.0660	2.10-1.70ore pm	3.73	3.65-3.25ore pm	2.53
France	4.2235-4.2370	4.2340-4.2370	1.20-1.00c pm	2.75	3.00-2.80c pm	2.75
Sweden	4.3360-4.3420	4.3390-4.3420	1.00-0.80ore pm	2.68	3.00-2.80ore pm	2.81
Japan	197.80-198.25	198.25-198.45	1.75-1.65y pm	10.12	4.55-4.45y pm	9.15
Austria	13.46½-13.49	13.48-13.49	7-6gro pm	5.82	17.75-15.00gro-pm	4.87
Switz.	1.6700-1.6750	1.6730-1.6750	1.55-1.53c pm	10.98	4.58-4.51c pm	10.91

† U.S. cents per Canadian $.

THE POUND SPOT / FORWARD AGAINST £

Jan. 19	Bank rate %	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. $	9½	2.0000-2.0120	2.0030-2.0040	0.37-0.27c pm	1.92	1.12-1.02c pm	2.14
Canadian $	11¼	2.3750-2.3895	2.3775-2.3785	0.50-0.40c pm	2.27	1.50-1.40c pm	2.44
Guilder	6½	3.9706-4.0005	3.98-3.99	2-1c pm	4.52	6-5 c pm	5.53
Belgian F	6	58.10-58.40	58.15-58.25	25-15 c pm	4.12	70-60 c pm	4.47
Danish K	8	10.2200-10.2605	10.2305-10.2405	par-2 ore dis	−1.17	2-2¾ ore dis	−0.68
D mark	3	3.68-3.7005	[illegible]	5¾-2¾ pf pm	9.35	9-8 pf pm	9.21
Port. Esc.	18	93.05-94.00	93.10-93.60	45-95 c dis	−8.35	70-250 c. dis	−6.43
Span. Pes.	8	139.75-140.30	139.95-140.05	10-30 c. dis	−3.86	85-183 c. dis	−3.86
Lira	10½	1,668-1,675	1,670-1,671	1⅛lirepm-3dis	0.18	5 lire pm-par	0.36
Nrwgn. K.	7	10.15-10.16	10.14-10.15	5¼-3¼ ore pm	4.44	12¾-10¾orepm	4.63
French Fr.	9½	8.4635-8.4900	8.4705-8.4805	3⅛-2½ c.pm	4.25	10-8 c. pm	4.48
Swedish Kr.	6½	8.68-8.72	8.69-8.70	4-2orepm	4.14	11-9orepm	4.60
Yen	3½	392-402	398.05-399.05	4.20-3.80y pm	12.24	11.25-10.85 y pm	10.18
Austria Sch	4½	26.85-27.10	27.00-27.05	25-15 gro pm	8.81	55-45 gro pm	7.34
Swiss Fr.	1	3.3425-3.3700	3.3475-3.3575	4-3 c.pm	12.89	11¾-10⅞ c. pm	12.98

Belgium rate is for convertible francs. Financial franc 59.30-59.40.

Six-month forward dollar 1.82-1.92c pm, 12-month 3.30-3.40c pm.

OTHER MARKETS

Jan. 19	£	$		£ Note Rates
Argentina Peso	2068-2088	1032-1042	Austria	26½-27½
Australia Dollar	1.7550-1.7600	0.8753-0.8765	Belgium	59-60
Brazil Cruzeiro	42.03-43.03	21.00-21.50	Denmark	10.21-10.31
Finland Markka	7.905-7.915	3.9490-3.9510	France	8.45-8.55
Greek Drachma	71.761-75.515	35.80-36.70	Germany	3.67-3.77
Hong Kong Dollar	9.5050-9.5300	4.7520-4.7550	Italy	1,660-1,710
Iran Rial	155.25-163.25	76½-81½	Japan	395-405
Kuwait Dinar (KD)	0.543-0.553	0.2731-0.2732	Netherlands	3.95-4.05
Luxembourg Frc.	58.15-58.25	29.04-29.07	Norway	10.10-10.20
Malaysia Dollar	4.3915-4.4650	2.1960-2.1970	Portugal	91-100
New Zealand Dlr.	1.8905-1.8965	0.9420-0.9445	Spain	143½-147½
Saudi Arab. Riyal	6.61-6.71	3.3160-3.3280	Switzerland	3.30-3.40
Singapore Dollar	4.3215-4.3355	2.1610-2.1620	United States	20050-2.0100
Sth. African Rand	1.734755-1.760862	0.8660-0.8790	Yugoslavia	39.5-43.5

Rate given for Argentina is free rate.

EXCHANGE CROSS RATES

Jan. 19	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.004	3.690	397.5	8.480	3.353	3.985	1671.	2.379	58.20
U.S. Dollar	0.499	1.	1.842	198.4	4.233	1.673	1.989	834.0	1.187	29.05
Deutsche mark	0.271	0.543	1.	107.7	2.298	0.909	1.080	452.8	0.644	15.77
Japanese Yen 1,000	2.516	5.040	9.283	1000.	21.33	8.434	10.03	4204.	5.982	146.4
French Franc 10	1.179	2.363	4.351	468.8	10.	3.953	4.699	1971.	2.804	68.63
Swiss Franc	0.298	0.598	1.101	118.6	2.529	1.	1.189	498.4	0.709	17.36
Dutch Guilder	0.251	0.503	0.926	99.75	2.128	0.841	1.	419.3	0.597	14.60
Italian Lira 1,000	0.598	1.199	2.208	237.9	5.074	2.006	2.385	1000.	1.423	34.83
Canadian Dollar	0.421	0.843	1.552	167.2	3.565	1.410	1.676	702.7	1.	24.47
Belgian Franc 100	1.718	3.442	6.340	683.0	14.57	5.760	6.847	2871.	4.086	100.

LONDON MONEY RATES

Jan. 19 1979	Sterling Certificate on deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	7½-12½	—	—	—	11¾-12	9-11	—	—	—
2 days notice	—	—	11⅝-11⅞	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	11⅞	—	—	—	—
7 days notice	—	11¼-12	11⅞-12	—	12¼	—	11¼-11¾	—	—	—
One month	12⅛-12	12-12½	11⅞-12	12⅛-12⅛	12⅜	12¼	11¾	11⅝-11⅞	12⅛-12⅛	12¼
Two months	12⅛-12¼	12⅛-12⅝	—	12⅛-12⅛	12⅝	—	11⅝-11⅞	11⅞	12⅛	12⅜
Three months	12⅜-12⅞	12⅞-12⅝	12⅝-12⅛	12⅛-12⅛	12⅞	12¾	12-12⅛	11¾-12⅛	12⅛	12⅝
Six months	12⅜-12⅜	12⅛-12⅝	12¼-12⅛	11⅞-12¼	12⅞	—	—	—	12⅛-12⅛	13
Nine months	12⅛-12¼	12⅛-12⅞	—	12-12⅛	12¾	—	—	—	—	—
One year	12⅜-12⅛	12⅛-12½	12-12¼	12-12⅞	12¾	—	—	—	—	—
Two years	—	—	12¼-12½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. • Long-term local authority mortgage rates nominally three years 12¾-12½ per cent; four years 12¾-12⅞ per cent; five years 12⅞-13 per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12¼ per cent; four-month trade bills 12¾ per cent.

Approximate selling rates for one-month Treasury bills 11⅝ per cent; two-month 11⅝ per cent; three months 11⅞-11¾ per cent. Approximate selling rate for one-month bank bills 11⅞-12 per cent; two-month 12⅛ per cent; and three-month 12⅛ per cent; one-month trade bills 12⅞ per cent; two-month 12⅞ per cent; and also three-month 12½ per cent.

Finance House Base Rates (published by the Finance Houses Association) 12½ per cent from January 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 10 per cent. Clearing Bank Rates for lending 12½ per cent. Treasury Bills: Average tender rates of discount 11.9668 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11.75
Fed. Funds	10.0625
Treasury Bills (13-week)	9.45
Treasury Bills (26-week)	9.56
GERMANY	
Discount Rate	3
Overnight Rate	3.70
One month	3.90
Three months	4.15
Six months	4.25
FRANCE	
Discount Rate	9.5
Overnight Rate	6.0
One month	6.5625
Three months	6.625
Six months	6.75
JAPAN	
Discount Rate	3.5
Call (Unconditional)	4.75
Bills Discount Rate	4.625

UK PENDING DIVIDENDS and NEW ISSUES

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasized that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
*Alexanders Discount	Jan. 22	Final 9.633
*Allied Textile	Jan. 25	Final 3.300
Associated Engineering	Dec. 15	Final 3.42
Barclays Bk.	Feb. 23	Final 5.5401
*BAT Inds.	Jan. 30	Int. 4.4
Bath and Portland	Feb. 15	Final 1.798
Birmid Qualcast	Feb. 15	Final 3.107
Brown Brothers	Feb. 18	Sec. int. 0.5
*Brown (J.)	Jan. 26	Int. 4.69 fcst.
Carrington Viyella	Feb. 22	Final 1.50505
Courts (Furnishers)	Jan. 17	Int. 1.5565
Dalgety	Feb. 15	Int. 6.407
*Davy Corpn.	Jan. 23	Int. 2.63
Decca	Feb. 8	Int. 3.3
Debenture Corpn.	Feb. 16	Final 2.2
*Dowty	Feb. 7	Int. 2.21
Drake and Scull	Feb. 14	Final Nil
*Fitch Lovell	Jan. 25	Int. 1.2778
Guinness Peat	Jan. 26	Int. 4.25
Hambro Tst.	Jan. 26	Int. 0.65
Hoover	Feb. 23	Final 9.21
*ICI	Feb. 22	Sec int 7.51587
*Imperial Grp.	Feb. 8	Final 3.41
*Inchcape	Jan. 25	Int. 6.0
Johnson and Firth Brown	Feb. 23	Int. 1.3
*Lloyds Bank	Feb. 16	Final 4.938
London Shop Prop.	Feb. 23	Int. 0.888
Lonrho	Jan. 30	Final 4.2212
MFI Furniture Centres	Feb. 14	Int. 1.98
Marchwiel	Feb. 20	Final 2.4
Neepsend	Feb. 23	Int. 0.92125
Nottingham Manufactrg.	Feb. 12	Final 2.332
*Rank Org.	Jan. 24	Final 5.849
Securicor	Feb. 21	Final 0.9568
Smith Inds.	Nov. 8	Final 4.2603
Staflex Inds.	Nov. 9	Int. nil
Sunley (B.) Inv. Tst.	Feb. 16	Int. 1.654
*Tate & Lyle	Jan. 24	Final 3.1
*Throgmorton Trust	Jan. 25	Final 2.375
*Trust Houses Forte	Feb. 1	Final 5.9594
Tunnel Hldgs.	Jan. 13	Final 2.283
*Union Discount	Jan. 24	Final 12.583
United Real Prop. Tst.	Feb. 15	Int. 1.25
Wagon Finance	Feb. 17	Final 2.875

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	12½%
Allied Irish Banks Ltd.	12½%
Amro Bank	12½%
American Express Bk.	12½%
A P Bank Ltd.	12½%
Henry Ansbacher	12½%
Associates Cap. Corp.	12½%
Banco de Bilbao	12½%
Bank of Credit & Cmce.	12½%
Bank of Cyprus	12½%
Bank of N.S.W.	12½%
Banque Belge Ltd.	12½%
Banque du Rhone et de la Tamise S.A.	12½%
Barclays Bank	13 %
Barnett Christie Ltd.	13½%
Bremar Holdings Ltd.	13½%
Brit. Bank of Mid. East	12½%
■ Brown Shipley	12½%
Canada Perm't Trust	12½%
Cayzer Ltd.	12½%
Cedar Holdings	12½%
■ Charterhouse Japhet	12½%
Choulartons	12½%
C. E. Coates	12½%
Consolidated Credits	12½%
Co-operative Bank	*12½%
Corinthian Securities	12½%
Credit Lyonnais	12½%
Duncan Lawrie	12½%
The Cyprus Popular Bk.	12½%
Eagil Trust	12½%
English Transcont.	12½%
First Nat. Fin. Corp.	14 %
First Nat. Secs. Ltd.	14 %
■ Antony Gibbs	12½%
Greyhound Guaranty	12½%
Grindlays Bank	12½%
■ Guinness Mahon	12½%
■ Hambros Bank	12½%
■ Hill Samuel	§12½%
C. Hoare & Co.	†12½%
Julian S. Hodge	13½%
Hongkong & Shanghai	12½%
Industrial Bk. of Scot.	12½%
Keyser Ullmann	12½%
Knowsley & Co. Ltd.	14½%
Lloyds Bank	12½%
London Mercantile	12½%
Edward Manson & Co.	13½%
Midland Bank	12½%
■ Samuel Montagu	12½%
■ Morgan Grenfell	12½%
National Westminster	12½%
Norwich General Trust	12½%
P. S. Refson & Co.	12½%
Rossminster	12½%
Royal Bk. Canada Tst.	12½%
Schlesinger Limited	12½%
E. S. Schwab	13½%
Security Trust Co. Ltd.	13½%
Shenley Trust	14 %
Standard Chartered	12½%
Trade Dev. Bank	12½%
Trustee Savings Bank	12½%
Twentieth Century Bk.	13½%
United Bank of Kuwait	12½%
Whiteaway Laidlaw	13 %
Williams & Glyn's	12½%
Yorkshire Bank	12½%

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month deposits 10¼%.
† 7-day deposits on sums of £10,000 and under 10%, up to £25,000 10¼% and over £25,000 10½%.
‡ Call deposits over £1,000 10%.
§ Demand deposits 10%.

Record saving funds total

A RUSH by high-rate taxpayers to invest in the 14th issue of *National Savings Certificates* before they are withdrawn helped increase the National Savings Department's total funds under management by £75.17m last month to a record £10.93bn.

The department received £64.9m from investors buying the 14th issue, and made repayments of £15.8m to holders of this and previous issues (evluding the special pensioners' issue).

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
A$0.50	F.P.	—	82	61	Ashton Mining 50c	79	......	—	—	—	—
A$125	F.P.	—	106	97	††Aust. Farming A$1	105	......	—	—	—	—
—	F.P.	—	30	27	Gosforth Ind. 10p	29xd	+2	2.0	—	10.1	—
155	F.P.	10/1	187	170	Harris Queensw'y20p	182	......	‡7.8	3.1	6.3	7.6
**	F.P.	—	132	126	Hunting Assoc. Defd.	126	......	—	—	—	—
—	F.P.	—	104p	89p	††IAS Cargo Airlines	104p	+5	61.85	3.7	2.7	11.3
**	F.P.	9/2	34	31	M. Y. Dart Defd.	31	......	—	—	—	—
110	F.P.	17/1	136	115	Mill'tsL's'reShps20p	134	......	b5.7	1.8	6.3	12.9

FIXED INTEREST STOCKS

Issue Price	Am'unt Paid up	Latest Renunc. Date	1978/79 High	1978/79 Low	Stock	Closing Price £	+ or −
¶§	F.P.	16/2	109p	107p	Assoc. Dairies 9¾% Pref.	108p	+1
¶	F.P.	26/1	100	89¾	Colne Valley Water 8% Red Prf 1983	101	......
‖100p	F.P.	28/12	100½p	99p	Findlay 8% Cnv. Cum. Red. Prf.	99p	......
‖100p	F.P.	5/1	123	102	Hawley-Leisure 13% Cnv. Uns. Ln. '86-88	122	−1
—	F.P.	—	157p	78p	††IAS Cargo Airlines 6% Cnv. Pref. £1	157p	+9
£1	F.P.	22/12	99p	97½p	Newman Inds. 10¼% Acc. Pref.	97p	......
¶	£10	1/3	15¼	13	Mid Kent Water 8% Pref. 1984	15¼	......
100p	F.P.	11/1	105	100¾	Rivington Reed 9½%Cnv.Cum.Red.Pref.	106	......
97½p	F.P.	5/1	99p	97½p	Seascope 10¼% Pref.	97½p	......

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1978/9 High	1978/9 Low	Stock	Closing price p:	+ or −
60	F.P.	19/1	19/2	76	67	Associated Biscuit	76	+3
17	F.P.	15/12	26/1	21	19½	Boulton (Wm.)	21	+½
45	F.P.	8/12	9/2	57	47	Foster (John)	57	+1½
210	F.P.	15/12	12/1	248	242	Lep Group	248	......
250	F.P.	3/1	9/2	[illegible]	298	Metal Box	316	+2
55	F.P.	5/1	26/1	71	66	Milbury	70	......
105	Nil	—	—	20pm	19pm	Neil & Spencer	19pm	......
20c	Nil	—	—	30pm	24pm	Poseidon	29pm	+8
10	F.P.	22/1	23/2	17½	14½	Suter Electrical Defd.	16½	......
28	F.P.	10/1	9/2	38	34	York Fine Woollen	38	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security.

INSURANCE

Judgment pact talks raise legal worries

BY OUR INSURANCE CORRESPONDENT

INSURERS—companies and Lloyds underwriters—are waiting for yet another draft of the much discussed Reciprocal Judgments Convention with the U.S., first proposed, if memory serves correctly, in 1976.

The fear is that when this new draft appears, they and other opponents of the convention (principally the Confederation of British Industry and the Lawyers' Association) will have all too little time in which to gather support, whether for previously stated fundamental opposition or for further deailed amendment if opposition is not to be heeded.

When the proposed convention was discussed in 1978, insurers were told that the final draft would have to be agreed with U.S. negotiators this spring or early summer to allow time for a Bill to be prepared and passed through Westminster by Summer next year.

Reciprocity

In theory a reciprocal judgments convention seems a fair and reasonable way of ensuring that a litigant in State A in possession of a judgment in its courts can enforce that judgment quickly and easily in State B; and vice versa.

The essence of such conventions, of which many exist worldwide, is reciprocity. But reciprocity does not just mean "you enforce my judgments and I will enforce yours." Implicit in reciprocity is the requirement that the legal processes of the contracting states are of comparable quality and that the judgments are of comparable worth.

If they are not: if the legal process is, say plaintiff-oriented in State A and defendant-oriented in State B; if the courts of State A award much greater injury compensation than do those of State B; if the courts of State A claim jurisdiction in disputes which for all practical purposes are outside its geographical or commercial orbit, while those of State B do not; then theer is no reciprocity.

Much well documented evidence shows that in many of the individual United States, many compensation claims succeed—partly because of the jury system and partly because of the contingent fee system—claims that would have no hope of success in the UK.

A similar amount of such cogent evidence shows that compensation awards in U.S. courts are five to ten times more than our courts would award. An equal amount of detailed evidence shows that many U.S. courts claim "long-arm juridiction" over disputes and accidents occurring many thousands of miles from the U.S.

Insurers hold that the U.S. legal system—not, of course, one but a separate one in each State—is an alien system and that the proposed judicial rubber-stamping of U.S. judgments will import by the back door what British lawyers and judges have long been at pains to keep from the front door.

It is the duty of this country's courts to ensure so far as is practicable that justice is done for British citizens and enterprises in disputes. It is the clear duty of the Crown's legal officers to ensure that existing protection is not diminished without some good reason, some real, solid, identifiable, quid pro quo.

Insurers have said that and much more, verbally and in writing to the Lord Chancellor's Department and to other interested parties. However, those charged with the negotiations with the U.S. seem undeterred in principle as otherwise yet another draft would not be on the production line.

Awaiting answer

Since the convention was first mooted, insurers have been asking: "What is there in this for Britain?" Unfortunately, even at this stage they are still waiting for an answer.

The Lord Chancellor's Department has not yet refuted the criticism that the proposed convention is fundamentally inimical to British interests and has not yet explained how Britain will derive any benefit or how that benefit can be quantified.

Pending those explanations, it is sensible for insurers to maintain their opposition to a convention which, on any assessment of its worth, must inevitably involve the export of substantial British funds across the Atlantic.

APPOINTMENTS

Trafalgar House subsidiary post

Mr. R. J. Chenery has been appointed managing director of YOUNG AUSTEN AND YOUNG the building services subsidiary of the Trafalgar House UK building division.

*

TI HELLIWELLS announces the following appointments in its manipulation division: Mr. Clive Lisk becomes general manager and executive board member, Mr. Ken G. Daniel sales and service manager, Mr. Mervyn John production manager and Mr. Bryn Williams production control manager.

*

Miss Jenny Bacon has been appointed controller of the training services branch of the MANPOWER SERVICES COMMISSION's training services division.

*

Mr. Hugh Eddowes has become technical director of APV-KESTNER and Mr. Frank Shaw has been appointed financial manager.

*

Mr. Leslie Burrage, director and general manager of Product Resources, has been made managing director of the newly formed company, H.O.C. (CONSUMER ELECTRONICS).

*

Mr. John Easton has recently been appointed project director for EARLS COURT LTD.

*

Mr. Russell A. Peters, general manager, Fyffes Line, has been elected to the main board of FYFFES GROUP.

*

Mr. John Franklin has rejoined the Board of MWP INCENTIVES as a non-executive director.

*

Mr. Michael J. Allwood has been elected director designate of BROWN JENKINSON AND CO.

*

Mr. Jim Alexander has been appointed managing director of COOPER HEALTH PRODUCTS the UK subsidiary of Cooper Laboratories Inc. He also becomes vice president for the Cooper international division—in charge of European operations. Mr. Ray Jurich, the previous UK managing director, becomes president of COOPER LABORATORIES INTERNATIONAL INC.

*

Mr. Alan Packham has been appointed an associate director of GRINDLAY BRANDTS INSURANCE BROKERS with responsibility for the servicing of clients of the group's UK non-marine business. Mr. Nigel Ravenhill has also been made an associate director and is responsible for the development of the group's UK business.

*

Mr. R. Beardsmore has been appointed a director of MONMORE TUBES, part of the tube division of Ductile Steels and Mr. T. D. Morris has joined DUCTILE SECTIONS as director and general manager.

*

Mr. C. G. Porter, joint managing director, Travis and Arnold, has succeeded Mr. I. C. Robey as chairman of ASSOCIATED BUILDERS MERCHANTS.

*

Mr. G. C. Klapwick retires as chairman and member of the Board of the ROYAL NETHERLANDS AIRCRAFT FACTORIES on February 1. At the same time he will withdraw from his various appointments with the subsidiary companies of the FOKKER GROUP, but will continue as consultant to the supervisory Board. Mr. F. Swarttouw has ben nominated as the new chairman of the Fokker Board of management.

*

Mr. Michael Gill, previously divisional manager, is appointed agricultural division director of the ABACUS GROUP. Mr. J. W. Pratt becomes chairman and managing director of the parent holding company and Mr. Geoffrey Hall has been made managing director of Abacus Municipal and deputy managing director of Abacus Holdings. Mr. J. R. Cordrey is appointed deputy managing director of Abacus Municipal.

TEL AVIV

Company	Prices Jan. 21 1979	change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel	387	+ 17.0
IDB Bankholding ...	600	+ 10.0
Bank Hapoalim Br....	542	+ 7.0
Union Bk. Israel Br.	477	+ 47.0
United Mizrahi Bank	278	+ 17.0
Hassneh Insur. Br.	459	+ 60.0
Gen. Mort. Bk. Br....	390	+ 36.0
"Tefahot" Isrl. Mtg.	391	+ 18.0
Land Development		
Africa Israel Invest.	1,092	+ 82.0
Israel Land Dev. Br.	237.5	− 13.50
Property & Building	427	+ 27.0
Public Utility		
Israel Electric Corp.	373	+ 28.0
Investment Companies		
Bank Leumi Invest.	448	+ 48.0
"Clal" Israel Invest.	402.5	− 34.5
Commercial and Industrial		
Alliance Tyre & Rbr.	1,321	+ 6.0
Elco Br.	237	+ 5.0
Argaman Textile Br.	318	+ 14.0
"ATA" Textile "B"	195	+ 6.0
Amer. Israel Paper...	571	+ 49.0
Assis	252	+ 46.0
Elite	336	+ 17.0
Teva Reg.	650	+ 30.0
Fuel and Oil		
Delek	270	+ 28.0

Source: Bank Leumi le Israel, BM Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK—DOW JONES

	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 12	1978-79 High	1978-79 Low	Since Compilat'n High	Since Compilat'n Low
◆Industrials	837.49	839.14	834.20	835.89	843.67	836.28	907.74 (8/9)	742.12 (22/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds.	84.29	84.45	84.16	84.15	84.09	84.11	90.86 (4/1/78)	84.09 (15/1/79)	—	—
Transport....	219.88	219.32	216.50	216.89	218.79	217.67	261.49 (8/9)	199.31 (9/1/78)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities......	102.40	102.37	102.20	101.98	102.10	102.06	110.98 (3/1)	97.75 (20/12)	165.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's	28,800	27,280	25,310	30 420	27 800	37,290	—	—	—	—

◆ Day's high 846.67 low 833.94

	Jan. 12	Jan. 5	Dec. 29	(Year ago approx
Ind. div. yield %	5.80	5.84	6.03	5.93

STANDARD AND POORS

	Jan. 19	Jan. 18	Jan. 17	Jan. 16	Jan. 15	Jan. 12	1978-79 High	1978-79 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	111.15	111.10	110.87	110.84	112.30	111.41	118.71 (12/9)	95.52 (6/3)	154.64 (11/1/73)	5.53 (30/6/32)
§Composite	99.75	99.72	99.48	99.46	100.88	99.55	106.98 (12/9)	86.90 (6/3)	125.85 (11/1/63)	4.40 (1/6/32)

	Jan. 18	Jan. 10	Jan. 3	Year ago (approx.)
Ind. div. yield %	4.97	4.91	5.04	5.15
Ind. P/E Ratio	9.01	8.93	8.84	8.74
Long Gov. Bond yield	8.97	8.98	8.95	8.17

N.Y.S.E. ALL COMMON

Jan. 19	Jan. 18	Jan. 17	Jan. 16	1978-79 High	1978-79 Low
55.85	55.81	56.54	55.66	60.38 (11/9)	48.37 (6/3)

Rises and Falls

	Jan. 19	Jan. 18	Jan. 17
Issues Traded.....	1,859	1,845	1,849
Rises	806	908	591
Falls..............	599	536	857
Unchanged	454	401	401
New Highs.........	—	22	17
New Lows..........	—	10	13

MONTREAL	Jan. 19	Jan. 18	Jan. 17	Jan. 16	1978-79 High	1978-79 Low
Industrial	229.76	229.10	227.29	226.56	229.76 (19/1/79)	162.80 (16/2)
Combined	235.75	235.30	231.85	232.93	235.75 (19/1/79)	170.82 (30/1)
TORONTO Composite	1384.4	1380.5	1351.1	1355.4	1384.4 (19/1/79)	898.2 (30/1)
JOHANNESBURG Gold	272.8	262.8	260.8	261.8	272.8 (19/1/79)	186.0 (20/4)
JOHANNESBURG Industrial	297.2	295.3	297.4	294.8	297.4 (17/1/79)	194.9 (15/5)

	Jan. 19	Pre-vious	1978-9 High	1978-9 Low
Australia(¶)	569.34	565.36	569.34 (19/1/79)	411.19 (1/3)
Belgium (‖)	101.64	101.45	102.06 (15/1/79)	90.43 (23/6)
Denmark(**)	90.64	90.74	98.85 (14/6)	88.08 (30/10)
France (††)	79.0	78.3	85.0 (4/10)	47.6 (3/2)
Germany(‡‡)	826.30	832.5	863.8 (19/10)	759.4 (17/6)
Holland (§§)	85.0	84.5	93.1 (11/9)	76.0 (4/4)
Hong Kong (¶¶)	535.64	540.57	707.70 (4/9)	383.4 (13/3)
Italy (‖‖)	71.85	69.34	82.25 (25/9)	55.45 (10/1)
Japan (a)	458.65	457.94	460.15 (16/1/79)	364.04 (4/10)
Singapore(b)	357.93	356.33	414.50 (8/9)	252.0 (9/1)

	Jan. 19	Pre-vious	1978-9 High	1978-9 Low
Spain (d)	94.72	94.82	98.79 (2/1/79)	93.03 (12/1/79)
Sweden (e)	378.35	374.03	409.00 (4/8)	325.74 (3/1)
Switzerld(f)	305.6	301.4	323.7 (14/2)	261.6 (26/9)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

TOKYO

VIENNA

COPENHAGEN

STOCKHOLM

HONG KONG

GERMANY

SWITZERLAND

MILAN

OSLO

PARIS

AUSTRALIA

BRAZIL

JOHANNESBURG

WALL STREET

NEW YORK

CANADA

INTERNATIONAL BONDS — BY FRANCIS GHILES

Unease over weakening dollar

WHILE EURODOLLAR bond prices gained some useful technical support last week, the international bond markets as a whole remained uneasy.

The moderation in U.S. money supply growth and a slight easing in short-term Eurodollar rates created short-covering by dealers. But dollar bond prices were not able to sustain their advance and the dollar itself showed ominous signs of weakness in currency markets.

The only new dollar issue is a $100m 12-year bond by the European Investment Bank, 80 per cent of which will be placed in Japan. As with a similar offering last August, the coupon will be announced when the bonds are priced.

However, under present market conditions, an overall 9.75 per cent annual yield is expected.

The $200m 10-year warrants issue for Bayer continues to be a major market talking point.

Some big Swiss banks indicate that retail demand for the offering is sizeable. The reaction elsewhere in markets seems quite subdued, however. This latter assessment was reflected in pre-market quotations for the issue, which was indicated early in the week at a discount of less 1-1¼, before widening last Friday to less 1-1½.

Deutsche-Mark prices were off by about a point on the week, in the wake of the Bundesbank monetary measures which are expected to drain about DM3bn in domestic liquidity.

The net result on the German measure, coming in a week which saw renewed nervousness in foreign exchange markets about the effectiveness of last November's dollar package, will be to push up German domestic interest rates and, by implication, increase the cost of borrowing in the foreign DM market.

Of the DM issues priced last week, greatest demand was recorded for the Nippon Telephone and Telegraph bond, which was priced at par instead of an indicated 99½. Westdeutsche Landesbank cancelled two issues but not because of disagreement with the borrowers.

One of the planned bonds, a DM 40m private placement for a Spanish motorways company, was delayed because of difficulties related to withholding tax. The other issue, for a Brazilian borrower, was delayed as another Brazilian entity, Electrobras, is expected to announce a DM offering this week. The Brazilian authorities apparently wanted to avoid having two issues in the market at the same time.

After the success of the Peugeot-Citroen issue, which was increased to FFr 175m and priced at 100½, another French Franc Eurobond is expected very shortly, possibly for a European institution.

Apart from three new issues, the event of the week in the Swiss Franc sector was the announcement of the terms of *the Carter* bonds: the shorter tranche was three times over-subscribed while the longer bonds were twice. The U.S. Treasury accepted subscriptions of SwFr 1.247bn for the 2½-year notes and SwFr 768m for the 4-year bonds. It appears likely that well over half the total issue went to the three big Swiss commercial banks.

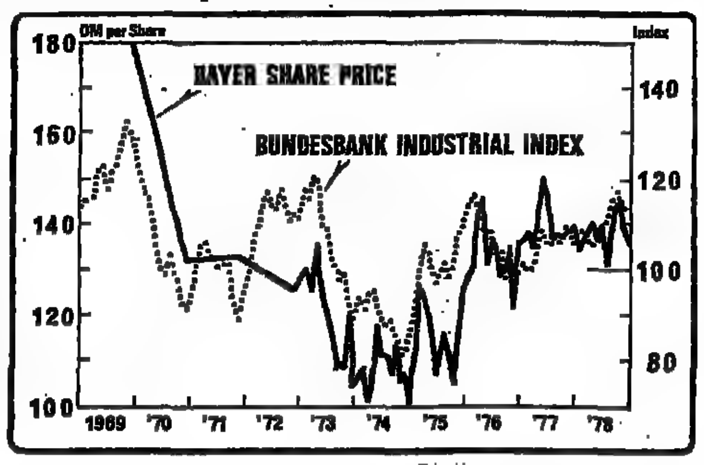
CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
†Sonatrach	50	1991	9½	7¼⊕	100	Dillon Read Overseas	7.64⊕
Bayer Int. Finance NV	200	1989	10	7¼	100	Deutsche Bank	7.25
¶¶EIB	80	1991	9.8	*	*	Nikko Securities	*
EIB	20	1991	9.8	*	*	Crédit Suisse First Boston	*
D-MARKS							
‡American Express Int. Bank Corp.	70	1987	8	5¾	100	Dresdner Bank	5.50
‡Denmark	100	1985	6	5¾	99½	WestLB	5.85
‡Denmark	100	1989	10	6½	99½	WestLB	6.61
‡**New Zealand	100	1986	7	6	99¼	Commerzbank	6.14
‡*Nippon Telephone & Tlgrph (g'teed Japan)*	100	1987	8	5½	100	Deutsche Bank	5.50
§Kansai Electric	150	1984	—	4	100	Dresdner Bank	*
**Oesterreichische Kontrollbank	40	1987	8	6	99¼	DG Bank	6.08
**Austria	100	1989	7½	6½	99¼	Dresdner Bank	6.28
Eurofima	100	1989	8	6¼	99½	Deutsche Bank	6.32
FRENCH FRANCS							
‡Peugeot-Citroen	175	1987	6.66	9¾	100½	Lazard Frères et Cie Société Générale	9.66
SWISS FRANCS							
‡ADB	100	1994	n.a.	3½	99	Swiss Bank Corp.	3.58
‡ICI Finance NV	230	1994	n.a.	3½	99	Swiss Bank Corp.	3.58
‡Heron Corp. Ltd.	35	1989	n.a.	4¼	100	Banque Keyser Ullmann en Suisse	4.25
AUSTRALIAN DOLLARS							
Citicorp	15	1984	5	11	*	Crédit Suisse First Boston	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. ¶¶ Registered with Japanese Ministry of Finance. *Note:* Yields are calculated on AIBD basis.

BAYER BOND — BY NICHOLAS COLCHESTER

Sizing up the warrants



BRITISH entrepreneur Jim Slater used to argue that if investors wanted to give him money for the right to give him more money later, then that seemed a good deal to him. He was talking of warrants, and warrants were the talks of the Eurobond market last week.

By offering warrants Bayer is paying only 7¼ per cent for $200m for ten years—some 2½ per cent less than the return investors would otherwise demand. Assuming that the ex-warrant bonds will settle at a price of 84 or so, the investor is being asked to pay $160 per $1,000 bond for the right to buy 13 Bayer shares at DM 136 for the next ten years.

Is it worth it? The record of the last ten years shows that Bayer-AG's after-tax profits have not grown at all.

Beyond static earnings, there has been a dilution over the decade of 25 per cent in earning per share. The number of shares outstanding has risen to *46.6m from 32.1m since 1969*—the year of the last Eurobond with warrants attached. This new warrant issue implies a potential for a further 2.6m shares. The Bayer share-price, and the warrant exercise-price, have reflected these developments—DM 200 in 1969 compared with DM 136 today.

The warrant purchaser is supposedly protected against rights issues and the like by an anti-dilution clause. The warrant exercise price should be adjusted downwards as the share capital expands. In practice, the 1969 exercise price has remained unchanged. In the case of both the old warrant issue and the new one, the Bayer management can avoid price adjustment by offering warrant holders subscription rights to rights issues.

Against this unexciting background must be set the fact that Bayer has assigned a conservative value to the new warrant: around DM 22 to buy each Bayer share at the current price for the next decade. The crude rule of thumb in the warrant game is that the average warrant is worth 30 per cent of its exercise price — assuming that this is in line with the current share price. The Bayer warrant costs half this. Discounting at 5 per cent per annum and taking the ten-year view, Bayer shares will have to rise by just DM 35 over this period to justify investment in the warrant today.

U.S. BONDS — BY DAVID LASCELLES

Events without pattern

ALTHOUGH BOND prices weakened most of last week, in reaction to unfavourable news here and abroad, market observers confess to some perplexity about where events are leading.

In the past seven days, they *had to make sense of the following* events: Fed chairman William Miller's warning that 1979 must be a year of austerity; news that the economy measured by GNP growth and housing starts is still surging ahead; a Bundesbank estimate that $50bn was spent last year propping up the dollar; and finally the easing of the money supply, confirmed by the latest Fed figures.

Althouhg Mr. Miller's words gave bond prices a knock, they also reassured those who feared the central bank lacked the grit to go through with its fight against inflation, which is the major worry. The White House made much of the economy's strength as shown by the 6.1 per cent annual growth rate, in the 1978 last quarter, but many people saw this as bad news for credit and prices, particularly since wages are still rising faster than productivity. ...

The latest money supply figures were the best news of the week providing the market with a last minute fillip on Friday, but sceptics point out that the turn of the year figures are seldom reliable, and the fed is already adjusting earlier figures upwards.

Combined, all these things heightened the market's air of expectation, though for what is unclear. Mr. Alan Lerner, economist at Bankers Trust, for instance, writes: "The specific question posed is how long the economy can continue to advance *without the fuel of an* expanding money supply. Some forecasters ith a strong monetarist bent feel the answer is not much longer, and that the peak in interest rates is very close," although Mr. Lerner himself is not so sure.

Mr. Henry Kaufman, at Salomon Brothers, comments: "The continued strong performance of the economy combined with powerful inflationary pressures should cause concern about the adequacy of the recent restraining pstoure of the Federal Reserve." Mr. Kaurman gave warning that without further tightening, pressures on interest rates could be chaotic.

Manufacturers Hanover takes another view: in the face of a declining money supply a stronger dollar and an improved U.S. balance of trade, it says "a further tightening on the part of the Fed would not seem to be called for."

But even if the Fed itself does not nudge up interest rates, they will probably go up anyway in response to strong credit demands, and inflation. The recent easing in short-term rates is seen as a temporary phenomenon. More important is the continuing strength of *business and government credit* needs which are expected at least to match last year's.

As many observers on this side of the Atlantic see it, the Fed's posture could be determined by what happens to the dollar. Despite President Carters rescue package, the currency is still viewed with concern, and its fragility was underlined last week by the market's nervous reaction to the Bundesbank statement, on intervention, and the warning by a senior official there that countries with strong currencies must give serious consideration to their own interests.

MEDIUM-TERM LENDING — BY JOHN EVANS

Recessionary threat to the capital markets

THE SEVERE recession facing the U.S. threatens to re-awaken several of the liquidity problems of the mid-1970s for the international capital markets, according to economists at Amex Bank.

A major danger arising from slowing Western growth is that renewed economic pressures will be exerted on the less developed countries (LDCs), propelling some of them into acute liquidity crises.

These projections, made in Amex's latest review, represent an effort to chart the course of the credit markets in the light of global economic downturn.

An American GNP growth rate of 1 per cent this year, accompanied by a slowdown in overall OECD growth, implies a deteriorating trade balance for the LDCs, particularly if a rise in manufactured goods prices of 8 per cent compared with a rise in primary commodities of only 6 per cent in assumed.

On this basis the overall growth of the developing world's exports to OECD nations would fall from a current 7½ per cent in 1977 and 1978 to 5 per cent this year and 4 per cent in 1980.

Without major attempts at restricting import growth, the current account deficit for the developing nations would widen from 1978's $34bn to $47bn this year and $56bn next year, Amex forecasts.

The net effect would be substantial reductions in LDC holdings of international reserves —by $3.5bn in 1979 and $12bn by 1980.

"By the end of 1980 LDC stocks of international reserves will be approximately $50bn, enough to finance only 2.7 months of the yearly import bill, signifying a return to the depressed levels of 1975," the forecast says.

High U.S. interest rates, slower monetary expansion and tightening of U.S. banks' liquidity indicate that the supply of funds in the Euromarkets on present terms and margins will become restricted.

As the banks' portfolio mix changes reflecting a shift in demand to LDCs from OECD countries — thus substantially altering the banks' risk exposures — borrowing will take place at much higher margins, Amex argues.

It projects gross medium-term LDC Euroborrowing this year at $16bn, rising to $20bn in 1980, compared with 1978's figure of $20bn.

However, established credit lines are heavily concentrated among a handful of countries, with Brazil and Mexico alone taking more than 40 per cent of total LDC Euroborrowing last year, it adds. Not all LDCs can be sure of solving their liquidity problems by such borrowings.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aga Akt. 8¾ 88	25	95	94½	0	0	10.27
Australia 8.45 83	175	95	95½	−0¼	−0¼	10.06
Australia 9½ 98	75	96⅝	97⅛	−0⅛	−0⅛	9.74
Beatrice Foods 7⅞ 83	100	93¼	93¾	+0⅛	+0⅛	9.65
CECA 8¾ 87	50	93¾	94¼	0	−0¼	9.84
CECA 9 83	25	96	96½	0	+0⅛	9.47
CECA 9¼ 98	25	98	98½	0	+0⅛	9.44
CECA 9¾ 84-99	50	96	96½	0	0	9.79
CNT 9 93	75	94⅛	94⅝	0	+0⅛	9.73
Canada 8 83	250	93⅞	94⅜	0	0	9.57
Canada 8.20 88	250	92⅝	93⅛	−0⅛	−0⅛	9.57
Canada 9 83	400	97⅞	98	+0⅛	0	9.53
Canada 9¼ 98	350	97⅛	97⅝	0	−0⅛	9.74
Canadair 8½ 83	70	94	94½	+0⅛	0	10.15
Dominion Bridge 9 88	25	94⅞	95⅜	−0⅛	+0⅛	9.98
EIB 9¼ 98	125	95¼	95¾	−0⅛	−0⅛	9.88
Exportfinans 9 88	50	95¼	95¾	0	0	9.85
Finland 8¾ 83	100	95⅞	96⅜	−0⅛	+0⅛	10.09
Finland 9 88	100	94½	95	−0⅛	0	10.09
Hospital O/S 9 83	75	97⅛	97⅝	+0⅛	+0⅛	9.70
Ital Finance 9½ 90	30	93¼	93¾	+0¼	+1⅛	10.74
J. C. Penney 8½ 83	100	95¼	95¾	+0⅛	+0⅛	9.78
NZ Dev. Fin. 8¾ 83	20	93½	94	0	+0⅛	9.98
NZ Dev. Fin. 8¾ 88	20	93½	94	0	+0⅛	9.72
Nat. West. 9 86	75	97	97½	+0⅛	+0⅛	9.51
Newfoundland 9¾ 90	50	96¼	96¾	0	+0⅛	9.78
Nord Inv. Bk. 9¾ 88	25	95¾	96¼	+0⅛	+0⅛	9.46
Norges Komm. 9½ 98	75	95⅛	95⅝	−0⅛	0	9.87
Norsk Hydro 9½ 94	50	95½	96	0	−0⅛	9.79
Norway 7¾ 83	250	92½	93	+0⅛	−0⅛	10.02
Norway 8¾ 83	150	96⅛	96⅝	0	−0⅛	9.93
Occidental 8¾ 85	75	92½	93	0	+0⅛	10.53
Ont. Hydro 8½ 85	125	93¾	94¼	+0⅛	+0⅛	9.82
Quebec Hydro 9½ 93	50	96⅞	97⅜	+0⅛	+0⅛	9.88
Sweden 9¼ 98	125	96⅛	96⅝	−0⅛	−0⅛	9.88
UK 8¾ 85	200	94⅛	94⅝	−0⅛	+0⅛	9.89
UK 9¼ 93	150	95	95½	−0⅛	−0⅛	9.71

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 6½ 88	150	95⅛	95⅝	−0⅛	−0⅛	7.13
Australia 6 88	250	100	100½	−0⅛	−0⅛	5.96
Austria 5½ 90	150	93⅞	94⅜	−0⅛	−0⅛	6.47
Bankamerica 5½ 90	150	98½	99	−0⅛	−0⅛	5.90
Bq. Ext. Algeria 7½ 85	100	96⅞	97⅜	0	−0⅛	7.83
Brazil 7¾ 87	150	100⅛	100⅝	−0⅛	−0⅛	7.16
CECA 6 88	150	96½	97	−0⅛	−0⅛	6.44
Canada 4¾ 83	600	97⅞	98⅜	−0⅛	−0⅛	5.24
Ch. Manhttn. O/S 6 93	100	100⅛	100⅝	−0⅛	−1	5.93
Commerzbank WW 3½	100	103½	104	−0⅛	−0⅛	3.01
Commerzbank XW 3½	100	82	82½	−0⅛	−0⅛	5.99
Copenhagen City 6 90	75	93⅞	94⅜	−0⅛	−0⅛	6.75
Council of Europe 6¼	100	97⅞	98⅜	0	0	6.37
Council of Europe 6¼	130	98	98½	−0⅛	−0⅛	6.49
EIB 6 90	300	95⅛	95⅝	−0⅛	−0⅛	6.54
Finland 6 83	150	98⅞	99⅜	−0⅛	−0⅛	6.21
Hitachi Shin 5¾ 83	50	100⅛	100⅝	−0⅛	−0⅛	5.66
IBJ 5 84	100	98	98½	0	−0⅛	5.38
Indonesia 7 84	100	96⅞	97⅜	−0⅛	−0⅛	7.63
Kobe, City of 6¾ 88	100	100⅛	100⅝	−1½	−0⅛	5.68
Mexico 6 85	200	97¾	98¼	+0⅛	−0⅛	6.39
Mitsubishi Petro. 5¾ 85	100	100½	101	−0⅛	−0⅛	5.58
New Zealand 6¾ 87	200	99⅜	99⅞	0	−0⅛	6.35
Nippon Steel 5¾ 85	100	100	101	−0⅛	−0⅛	5.55
Nordic Inv. Bk. 6¾ 88	60	98⅛	98⅝	0	−0⅛	6.55
Norges Komm. 6 90	100	96⅞	97⅜	0	−0⅛	6.35
Norway 4½ 83	250	95⅛	95⅝	−0½	−0⅛	5.32
Norwegn. Ind. Bk. 6 90	125	97⅛	97⅝	−0⅛	−0⅛	6.31
Occidental 6¾ 90	150	96⅞	97⅜	−0⅛	−0⅛	7.11
OKB 6¼ 88	100	100⅞	101⅜	−0⅛	−0⅛	6.32
Petroleo Brazil 7 88	100	98⅞	99⅜	−0⅛	−0⅛	7.12
PK Banken 5¾ 88	100	93½	93⅞	+0⅛	−0⅛	6.71
Quebec, Prov. of 6 90	150	94⅛	95	−0⅛	−0⅛	6.67
Ricoh 5½ 83	30	99⅛	99⅝	−0⅛	−0⅛	5.37
Spain 6 88	200	93⅝	94⅛	−0⅛	−0⅛	6.91
Statoil 6 88	350	97⅛	98⅛	−0⅛	−0⅛	6.28
UDS Group 5¾ 83	65	97	97½	−0⅛	−0⅛	6.45
Union Bank-Finn. 6½ 88	50	95⅞	96⅜	−0⅛	−1	7.05
Venezuela 6½ 90	150	93⅞	94⅜	−0⅛	−0⅛	7.29
World Bank 6¼ 88	400	97½	98	−0⅛	−0⅛	6.56

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Acsa 5¾ 88	40	104½	105	+0⅛	−0⅛	4.62
Amer. Exp. Int. 3½ 93	40	100⅛	101	+0⅛	+0⅛	3.42
Arlberg Tunnel 4 93	40	101½	101⅞	0	+0⅛	3.85
Austria 3¾ 93	100	98⅛	98⅜	+0⅛	+0⅛	3.65
Brazil 4¼	100	99⅛	99⅝	+0⅛	+0⅛	4.46
Chase Manhattan 4 93	70	104¾	105	+0⅛	+0⅛	3.57
Council of Europe 4¼	80	102½	103	+0⅛	+0⅛	3.96
Bankamerica 3½ 93	80	102⅞	102⅞	+0⅛	+0⅛	3.55
BNDE 5 88	75	102⅛	102⅞	+0⅛	+0⅛	4.65
Denmark 4½ 90	60	104⅛	104½	+0⅛	0	3.99
Denmark-Mortgage Bk.	80	103⅞	104⅛	+0⅛	+0⅛	4.04
EIB 4¾ 93	100	102¼	102⅝	+0⅛	+0⅛	4.03
Euratom 4¾ 93	80	102⅜	102⅝	+0⅛	+0⅛	4.03
F. L. Smidth 4½ 89	25	102⅞	103	−0⅛	+0⅛	4.16
Finland 4¼ 93	80	103⅛	103⅝	+0⅛	+0⅛	4.17
First Chicago 3¾ 93	70	100⅛	100⅝	+0⅛	+0⅛	3.55
GZB 4¾ 93	100	103⅛	104⅛	+0⅛	+0⅛	4.13
Hilti-Liechtenstein 4¾	25	105	105½	+0⅛	+0⅛	3.77
ICI Fin. NV 4¾ 93	100	104⅛	104⅝	+0⅛	−0⅛	3.84
Malaysia 4¾ 90	80	100⅛	100⅝	0	+0⅛	4.71
Manitoba 4 93	100	103⅛	103⅝	+0⅛	+0⅛	3.70
Newag 4 93	70	101⅞	102⅛	+0⅛	−0⅛	3.81
Norges Komm. 4¾ 90	70	103⅛	103⅞	+0⅛	+0⅛	3.84
OKB 4 93	80	101⅛	101⅝	+0⅛	+0⅛	3.86
Oy Nokia 5 90	20	104	104½	0	+0⅛	4.50
Safe 4¾ 83	30	103⅛	103⅞	+0⅛	+0⅛	3.95
Sandvik 4 90	85	102⅛	102⅝	+0⅛	+0⅛	3.75
Sees 4½ 88	15	104	104½	0	−0⅛	3.94
Voest-Alpine 4½ 93	100	103⅛	103⅝	+0⅛	+0⅛	4.16
Vorarlberg Kraft 4 93	30	†102⅛	102⅝	+0⅛	+0⅛	3.78
Vienna 4 93	100	†101⅛	101½	0	+0⅛	3.87
World Bank 4¾ 93	250	102⅞	103⅜	+0⅛	+1⅛	3.97

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 5¾ 88	15	96⅛	97	−0⅛	−0⅛	6.22
BFCE 6.4 90	30	96	98	0	0	7.10
Eurofima 6.3 90	10	96	97	0	0	6.86
Norway 5.7 83	25	100⅛	101⅛	0	+0⅛	5.44
Sweden 6.3 90	40	84⅛	85⅛	0	+0⅛	7.05

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Rank O/S Hold. 11½ A$	12	96⅛	96	−0⅛	+0⅛	12.80
Auto Cote B. 7 93 EUA	15	94⅛	94⅞	−0⅛	−1⅛	7.66
Copenhagen 7 93 EUA	30	93⅞	94⅛	−0⅛	−1	7.69
Finland Ind. 7 93 EUA	15	94⅞	95⅛	+0⅛	−0⅛	7.61
Komm. Inst. 7½ 93 EUA	15	97⅛	98⅛	0	−0⅛	7.74
Panama 8½ 93 EUA	20	95⅛	96⅛	−0⅛	−0⅛	8.72
SDR France 7 93 EUA	22	96⅛	97	−0⅛	−0⅛	7.38
Algemene Bk. 6½ 83 Fl	75	95	95⅞	0	+0⅛	7.53
Brazil 7½ 83 Fl	75	94⅞	95⅛	+0⅛	+0⅛	8.81
CFE Mexico 7½ 83 Fl	75	97⅛	98⅛	0	+0⅛	8.35
EIB 7¾ 85 Fl	75	95⅛	96⅛	+0⅛	+0⅛	8.08
Neder. Midd. 6½ 83 Fl	75	94⅛	94⅞	+0⅛	+0⅛	8.02
New Zealand 6¾ 84 Fl	75	94⅞	95⅛	+0⅛	+1⅛	7.84
Norway 6½ 83 Fl	100	94⅛	95⅛	0	+0⅛	8.01
OKB 6½ 85 Fl	75	81⅞	92⅛	+0⅛	+0⅛	8.10
Elf Aquitaine 9¾ 88 FFr	150	99½	100	0	+0⅛	9.78
EIB 9¾ 88 FFr	200	99½	100	0	+0⅛	9.78
Unilever 10 85 FFr	100	101⅛	102⅛	0	0	9.63
RAT 8 88 LuxFr	250	96⅛	97⅛	+0⅛	+0⅛	8.50
Bayer Lux. 8 86 LuxFr	250	97	97⅛	+0⅛	+1⅛	8.47
EIB 7¾ 88 LuxFr	250	95⅞	96⅛	−0⅛	+0⅛	8.32
Finland I. F. 8 88 LuxFr	250	96⅛	97⅛	0	+1⅛	8.44
Norway 7¾ 83 LuxFr	250	96⅞	97⅛	−0⅛	0	8.49
Norges Km. 8 86 LuxFr	500	99	100	0	0	8.02
Renault 7¾ 88 LuxFr	500	97⅛	97⅞	0	−0⅛	8.13
Solvay Fin. 8 85 LuxFr	500	100⅛	101⅛	0	−0⅛	7.80
Swedish Bk. 8 88 LuxFr	500	96⅛	97⅛	0	−0⅛	8.07
Gestetner BV 11 88 £	10	88½	89	−0⅛	−0⅛	13.13
Whitbread 10½ 90 £	15	84⅞	84⅞	−0⅛	−0⅛	13.18

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
American Express 82	0¼	99⅛	99⅞	20/4	10⅛	10.66
Arab Intl. Bk. M6.5 83	0¼	95⅞	96⅛	31/1	9⅛	9.75
BFG Fin. Co. M5.5 89	0¼	98⅛	98⅞	12/7	12.4	12.59
Bco. El Salvador M8 83	1¼	97⅛	97⅞	12/4	11.31	11.60
Bco. Nac. Argnt. M8 83	0¼	98½	99	21/7	12⅛	12.41
Bank Handlowy M8 88	1¼	97⅛	97⅞	26/11	12.94	13.29
Bank of Tokyo M5½ 93	0¼	96⅛	97⅛	18/4	10½	10.84
Banque Worms M5¾ 85	0¼	98⅛	98⅞	15/6	12	12.20
Bq. E. d'Alg. M8.375 84	0¾	96½	97⅛	9/2	9⅛	9.94
Bq. E. d'Alg. M7.5 85	0¾	95⅛	95⅞	2/5	12⅛	13.35
Bq. Indo et Suez M5½	0¼	98½	99	25/1	9⅛	9.49
Bq. I. Afr. Occ. M6.5 83	0¼	97⅛	97⅞	12/7	12.4	12.70
CCCE M5.25 98	0¼	97⅛	98	3/2	9.19	9.40
Ch. Man. O/S M5¾ 93	0¼	98	98½	27/1	9.31	9.48
Credit National M5¾ 88	0¼	98	98½	11/7	12⅛	12.80
Gotabanken M6 88	0¼	97⅛	97⅞	15/5	12.31	12.63
Ind. Bk. Japan M5½ 85	0¼	99⅛	99⅞	1/8	12.35	12.41
Liubljanska M7.75 85	1	96⅛	97⅛	18/7	12.94	13.34
LTCB Japan M5¾ 85	0¼	98⅛	99⅛	9/5	12.06	12.20
Midland Intl. M5½ 93	0¼	98⅛	98⅞	20/7	12⅛	12.45
Nat. West. M5½ 90	0¼	98⅛	98⅞	21/6	12⅛	12.67
Nipp. Crdt. Bk. M5.5 85	0¼	99⅛	99⅞	22/6	12.81	12.88
OKB M5¾ 88	0¼	100⅛	100⅞	18/4	10.56	10.51
Offshore Mining 86	0¼	98⅛	98⅞	19/7	12.19	12.31
Privredna Banka M8 86	0¾	95⅞	96⅛	22/6	13.44	13.96
Standard Chrt. M5.5 90	0¼	97⅛	97⅞	10/2	8.94	9.16
Sundsvallsbnkn. M6 85	0¼	97⅛	97⅞	4/4	10.06	10.33
Utd. Overs's Bk. M6 83	0¼	98⅛	98⅞	4/5	12.31	12.45

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Asics 5¾ 93	9/78	628	104⅛	105⅛	+0⅛	14.21
Baker Int. Fin. 5½ 93	1/79	34	104⅛	104½	−0⅛	6.73
Boots 6¾ 93	2/79	2.16	91⅛	91⅞	+0⅛	−3.52
Coca-Cola Bottling 6¾	4/79	9	91⅛	91⅞	+0⅛	21.83
Ito-Yokado 5¾ 93	6/78	1473	132⅛	133⅛	−0⅛	1.26
Novo Industri 7 89	4/79	259	89½	90½	−0⅛	4.53
Texas Int. Air. 7½ 93	4/79	14.5	91	91⅛	−0⅛	11.37
Thorn Int. Fin. 7 88	11/78	3.67	103⅛	103⅞	0	−1.33
Tyco Int. Fin. 8½ 88	9/78	21	101	101⅛	+0⅛	13.25
Tyco Int. Fin. 5 84	6/78	81.5	76⅛	76⅞	−0⅛	150.51
Asahi Optical 3½ DM	12/78	588	94⅛	94⅞	+0⅛	2.05
Casio Co. 3¾ 85 DM	11/78	841	103⅛	103⅞	+0⅛	10.69
Izumiya 3½ 86 DM	10/78	989	96⅛	97⅛	+0⅛	5.96
Jusco 3½ 86 DM	1/79	1270	93⅛	94⅛	+0⅛	13.73
Konishiroku 3½ 85 DM	1/79	612	95⅛	96	−0⅛	7.27
Marudai Food 3½ DM	2/79	1033	100⅛	101⅛	−0⅛	14.35
Murata M. 3½ 86 DM	11/78	854	106⅛	107⅛	+0⅛	−2.86
Nipp. Air. 3.5 88 DM	12/78	508	90	90⅛	+0⅛	5.82
Nippon Shmpn. 3½ DM	8/78	738	110⅛	111⅛	0	6.26
Nippon Yen. 3½ 85 DM	1/79	251	95⅛	95⅞	+0⅛	4.15
Nissan Diesl. 3½ 86 DM	2/79	477	94⅛	95⅛	+0⅛	8.93
Olymp. Opt. 3½ 86 DM	2/79	703	103	103⅛	+0⅛	−2.21
Ricoh 3½ 86 DM	10/78	617	102⅛	102⅞	+0⅛	17.29
Sanyo Electric 3½ DM	11/78	295	92⅛	93⅛	+0⅛	−1.00
Seiyu Strs. 3¾ 86 DM	9/78	1275	111⅛	112⅛	+1	−1.39
Sharp Co. 3½ 88 DM	2/79	487	96⅛	97⅛	+0⅛	−2.11
Stanley Elec. 3½ DM	11/78	623	92⅛	93⅛	0	12.85
Tokyo Elec. 3½ 87 DM	4/79	476	97⅛	98⅛	+0⅛	5.82
Trio Knwd. 3½ 86 DM	11/78	711	90⅛	90⅞	+0⅛	23.42

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Jan. 19	94.61	8.60	89.20	9.37
Jan. 12	94.41	8.65	88.88	9.42
High '79	94.61	(2/1)	89.45	(2/1)
Low '79	94.40	(11/1)	88.85	(11/1)

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	401.2	875.5
Previous week	414.0	1,046.1
Other bonds		
Last week	230.9	373.5
Previous week	304.1	359.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on January 19

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Gilt Int. Tst.	95.4	101.5	.....	3.69
Abbey Capital	34.8	37.0	+0.3	4.45
Abbey Income	41.6	44.3	+0.4	6.33
Abbey Inv. Tst. Fd.	36.1	38.4	+0.1	4.73
Abbey Gen. Tst.	46.4	49.4xd	+0.5	4.53
Equitas Prog. Tst.	58.2	61.9	+0.6	4.67

Allied Hambro Group (a) (g)

Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st	68.7	73.5	+0.5	5.51
Brit. Inds. Fund	65.1	69.7	+0.5	5.60
Grth. & Inc.	37.1	39.7xd	+0.3	5.54
Elect. & Ind. Dev.	55.5	58.0	+0.2	4.74
Allied Capital	70.6	75.5	+0.5	4.79
Hambro Fund	109.4	117.1	+1.1	5.34
Hambro Acc. Fd.	125.2	134.0	+1.2	4.90

Income Funds

High Yield Fd.	74.6	79.8	+0.3	8.15
High Income	68.5	73.3	+0.5	6.89
A. H. Eq. Inc.	39.7	42.5xd	+0.3	7.22

International Funds

International	27.5	29.4xd	+0.3	2.31
Pacific Fund	46.0	49.2xd	.....	1.61
Secs. Of America	54.7	58.5	+0.3	1.97

Specialist Funds

Smaller Co.'s Fd.	37.9	40.6xd	+0.2	4.68
2nd Smlr. Co's Fd.	50.5	54.0	+0.2	4.41
Recovery Sits.	99.2	106.1	+0.6	5.18
Met. Min. & C'dty.	42.7	45.7	+0.5	5.01
Overseas Earnings	59.3	63.5xd	+0.5	4.57

Exempt Funds

Far East Exempt	48.9	50.9	+0.2	1.96
Smaller Co Exempt	52.2	55.5	+0.3	4.96
U.S.A. Exempt	96.9	100.9	+0.2	2.18

Anderson Unit Trust Managers Ltd.

153, Fenchurch St., EC3M 6AA. 623 9231

Andersen U.T.	52.2	56.3	.....	4.94

Ansbacher Unit Mgmt. Co. Ltd.

Framlington Unit Mgt. Ltd. (a)

5-7 Ireland Yard, EC4B 5DH. 01-248 6971

American	49.8	52.8	.....	1.06
Capital Tst.	138.4	147.2	+1.4	3.88
Income Tst.	110.4	117.4	+0.2	7.52
Int. Growth Fd.	120.0	127.6	+1.4	2.06
Do. Accum.	125.0	132.8	+1.6	2.06

Friends' Provdt. Unit Tr. Mgrs.♥

Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	45.1	48.2	.....	4.52
Do. Accum.	59.5	63.6	.....	4.52

G.T. Unit Managers Ltd.♥

16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	86.4	91.9	+1.3	3.30
Do. Acc.	104.7	111.3	+1.6	3.30
G.T. Inc. Fd. Un.	161.1	171.3	+2.0	8.40
G.T. U.S. & Gen.	127.1	135.2	-1.3	3.10
G.T. Japan & Gen.	92.0	97.0	.....	1.00
♦Gt. Pens. Ex. Fd.	148.5	155.9	.....	4.10
G.T. Int'l. Fund	153.6	163.4	-0.2	2.10
G.T. Four YdsFd.	54.3	57.7	.....	7.60
G.T. Far East & Gen.	46.5	50.0	.....	2.00

G. & A. Trust (a)(g)

5 Rayleigh Road, Brentwood (0277) 227300

G. & A.	33.8	36.1	+0.3	5.10

Gartmore Fund Managers♥ (a)(g)

2 St. Mary Axe, EC3A 8BP 01-283 3531

American Tst.	26.4	28.4	+0.2	0.17
British Tst. (Acc.)	57.6	62.0	+0.3	3.49
Commodity Share	157.4	169.3	+1.5	4.04
Extra Income Tst.	25.6	27.5	+0.1	8.42
Far East Trust	36.7	39.5	+0.1	0.32
High Income Tst.	61.9	66.6	+0.2	8.93
Income Fund	76.8	82.6	+0.5	6.76
Ins. Agencies	14.44	15.25xd	+0.13	3.74
Intl. Exempt Fd.	90.5	97.7	+0.4	7.93
Intl. Tst. (Acc.)	32.0	34.4	+0.1	0.70

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

3 Frederick's Pl., Old Jewry, EC2 01-588 4111

Extra Income	30.4	32.8	+0.1	10.50
Income	43.4	46.8	+0.1	8.90
Accumulation	65.7	72.2	+0.5	2.60
Growth††	39.6	43.0	+0.1	4.30
Capital	43.3	46.6	+0.3	4.40

James Finlay Unit Trust Mngt. Ltd.

10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	24.1	25.9	.....	2.05
Accum Units	28.6	30.7	.....	2.05
J. Finlay Income	36.5	39.2	.....	8.46
J. Finlay Euro. Fin.	27.7	29.8	.....	3.25
Accum. Units	32.8	35.2	.....	3.25
J. Finlay Fd. In. Tst.	28.4	30.5	.....	4.04
Accum. Units	33.0	35.5	.....	4.04

Prices on Jan. 17. Next dealing Jan. 24.

Income	53.2	57.3	+0.4	6.86
Do. Accum.	62.1	66.8	+0.5	6.85
International	45.0	48.7	+0.2	2.46
Do. Accum.	48.4	52.2	+0.2	2.46
High Yield	63.9	74.9	+0.4	8.49
Do. Accum.	69.6	74.9	+0.4	8.49
Equity Exempt*	107.2	113.1	.....	5.57
Do. Accum.*	107.2	113.1	.....	5.57
Japan & Pacific	50.5	53.8	+0.3	0.85
Do. Accum.	50.5	53.6	+0.3	0.85

*Prices at Jan. 12. Next dealing Jan. 26.

CORAL INDEX: Close 476-481

INSURANCE BASE RATES

†Property Growth	12%
†Vanbrugh Guaranteed	11.25%

†Address shown under Insurance and Property Bond Table.

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Caledonian Holdings Limited

Offer for Sale by Noble Grossart Limited

of all of the 10,000,000 issued ordinary shares of 25p each at 65p per share payable in full on application

BRIEF INFORMATION

The following information is taken from the full text of the Offer for Sale and accordingly must be read in conjunction with that text:

Ownership

Caledonian Holdings (formerly Stenhouse Industries Limited), or its predecessor company, has been a wholly owned subsidiary of Stenhouse Holdings since 1970.

Activities

The Caledonian Holdings group is a diversified consumer products group with activities in home improvement, jewellery, engineering and ladies hosiery.

Turnover and pretax profit

Years to 30th September	*1974*	*1975*	*1976*	*1977*	*1978*
Turnover (£000)	22,765	26,115	31,084	36,885	41,937
Pretax profit (£000)	1,662	1,565	1,545	2,024	2,443

Issued share capital

£2,500,000 in 10,000,000 ordinary shares of 25p each

Pro forma shareholders' funds at 30th September 1978

Shareholders' funds	£6,991,000
Shareholders' funds per share	69.91 p
Offer for Sale price	65p
Value of issued share capital at the Offer for Sale price	£6,500,000
Illustrated earnings per share based on (a) the above pretax profit for the year to 30th September 1978 and (b) corporation tax at 52%	11.73p
Price earnings multiple based on (a) the Offer for Sale price and (b) the above illustrated earnings per share	5.54 times
Forecast dividend per share (including the related tax credit at the current rate) for the year to 30th September 1979	7.09p
Gross equivalent dividend yield based on (a) the Offer for Sale price and (b) the above forecast dividend per share	10.91%

SHARE CAPITAL

Authorised		Issued
£3,000,000	In 12,000,000 ordinary shares of 25p each	£2,500,000

The ordinary shares now offered will rank in full for all dividends hereafter declared or paid on the ordinary share capital of Caledonian Holdings.

Indebtedness

At close of business on 31st December 1978 Caledonian Holdings and its subsidiaries ('the Caledonian Holdings group') had outstanding unsecured bank overdrafts of £604,655, secured vehicle stocking finance of £227,466, acceptance credits of £500,000, secured loans of £88,012, unsecured loans of £37,553, unsecured loan stock of £1,637,643, leasing and hire purchase commitments of £246,033 and guarantees of £215,117. In addition, the Caledonian Holdings group owed £334,161 on current account to Stenhouse Holdings and its subsidiaries at 31st December 1978. Save as aforesaid and apart from inter company borrowings and guarantees within the Caledonian Holdings group, neither Caledonian Holdings nor any of its subsidiaries had outstanding at that date any loan capital, mortgages or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments or guarantees or other material contingent liabilities.

DIRECTORS

William Roy Burns (chairman and managing director), 2 Stenhouse Road, Gorgie Road, Edinburgh EH11 3LS.
James Robson Conway, P.O. Box 15, Birch Road, Broadmeadow Industrial Estate, Dumbarton G82 2RG.
Herbert Verdun Maxfield, Bath Vale Works, Congleton, Cheshire CW12 2HD.
Brian Abraham Neiman, 190 Tachbrook Road, Leamington Spa, Warwickshire, CV31 3EL.
Norman Somerville Macfarlane (non-executive), Clansman House, Sutcliffe Road, Glasgow G13 1AH.
Richard Geoffrey Newbery (non-executive), 4 Clarkewood Close, Wiswell, Whalley, Blackburn, Lancashire BB6 9BX.

Secretary and registered office
Norman Alexander Macleod CA, 2 Stenhouse Road, Gorgie Road, Edinburgh EH11 3LS.

Auditors and reporting accountants
Thomson McLintock & Co. Chartered Accountants, 216 West George Street, Glasgow G2 2PF.

Solicitors
Boyds, 36 Renfield Street, Glasgow G2 1ND.

Brokers
W. Greenwell & Co. Bow Bells House, Bread Street, London EC4M 9EL.
Parsons & Co. 100 West Nile Street, Glasgow G1 2QU.

Property valuers
Richard Ellis, Trafalgar House, 75 Hope Street, Glasgow G2 6AJ.

Bankers
Bank of Scotland, 165 West George Street, Glasgow G2 2JR.
Noble Grossart Limited, 48 Queen Street, Edinburgh EH2 3NR.

Registrars and receiving agents to the Offer for Sale
Bank of Scotland, 26A York Place, Edinburgh EH1 3EY.

Loan stock registrars
Thomson McLintock & Co. 216 West George Street, Glasgow G2 2PF.

The following is a letter to Noble Grossart from Mr W. Roy Burns, the chairman and managing director of Caledonian Holdings:

To the directors
Noble Grossart Limited

Edinburgh
19th January 1979

Dear Sirs,

I have pleasure in providing you with the following information in connection with your Offer for Sale of the whole of the issued ordinary share capital of Caledonian Holdings Limited ('Caledonian Holdings').

BACKGROUND

Caledonian Holdings, which is at present a wholly owned subsidiary of Stenhouse Holdings Limited ('Stenhouse Holdings'), is the holding company for a diversified consumer products group whose business is in home improvement, jewellery, engineering and ladies hosiery.

Stenhouse Holdings has recognised for some time that the continuing development and expansion of Caledonian Holdings could more easily be achieved if it were to become an independent listed company rather than remain as part of a financial group. This step was also seen as being helpful to Stenhouse Holdings which could then particularly concentrate its resources on insurance broking and related activities. It was also believed that this separation would permit a more accurate assessment of the respective performances and values of the insurance broking and consumer product interests of the group. Since early 1976 it has therefore been the stated intention of Stenhouse Holdings that at an appropriate time Caledonian Holdings would be separated from the Stenhouse Holdings group and would seek a Stock Exchange listing as an independent public company.

Accordingly, Stenhouse Holdings has today completed arrangements for an Offer for Sale by Noble Grossart Limited of all of the 10,000,000 issued ordinary shares of 25p each in Caledonian Holdings at a price of 65p per share. In order to assist the shareholders of Stenhouse Holdings to retain an interest in Caledonian Holdings, preferential consideration will be given to applications from such shareholders in respect of a maximum of 1,000,000 ordinary shares.

HISTORY OF CALEDONIAN HOLDINGS

Most of the present trading subsidiaries of Caledonian Holdings were formerly part of a listed company, John Wallace & Sons Limited ('Wallace') in which, between 1962 and 1969, Stenhouse Holdings acquired a 25.2% interest. In 1970 Stenhouse Holdings made a share offer and acquired the remaining 74.8% of Wallace, which was then renamed Stenhouse Industries Limited ('Stenhouse Industries').

In 1972 the largest subsidiary of Stenhouse Industries, British Electrical Repairs Limited ('BERL') was sold for £6million. At that time BERL accounted for approximately 45% of both the profits and the capital employed within the Stenhouse Industries group. The sale of BERL was effected by firstly transferring all of the other subsidiaries of Stenhouse Industries to a newly formed subsidiary of Stenhouse Holdings, Stenhouse Continuation Limited, and by then selling Stenhouse Industries as a company which had only one subsidiary, BERL. Shortly thereafter Stenhouse Continuation Limited was renamed Stenhouse Industries Limited; in November 1978 it was renamed Caledonian Holdings Limited. No part of the proceeds of the sale of BERL was retained within the Caledonian Holdings group.

OPERATING STRUCTURE AND CONTROL

Caledonian Holdings' activities are divided into 4 operating divisions. These divisions and their contribution to the Caledonian Holdings group profit before central costs, interest and tax for the year to 30th September 1978 are set out below:

	1978 Profit £000	*Contribution %*
Home improvement	767	26.7
Jewellery	880	30.7
Engineering	923	32.2
Ladies hosiery	300	10.4
	2,870	100.0
Central costs	(142)	
	2,728	
Interest	(285)	
Profit before tax	2,443	

The management of Caledonian Holdings operates on the basis of tight financial control throughout the group. Within that control the directors of the individual subsidiaries are encouraged to develop their respective businesses on an independent basis so as to achieve the financial objectives set by the board of Caledonian Holdings.

Financial control—Each subsidiary of Caledonian Holdings prepares annual budgets for profits, capital expenditure and cash flow. Before approval, these budgets are reviewed by central management and are related to group financial targets. Each subsidiary produces detailed monthly accounts and is required to remit to the holding company a monthly cash payment equal to each month's pretax profit adjusted to include depreciation and to exclude agreed capital expenditure for that month.

Management control—The chairman of each subsidiary is a director of Caledonian Holdings. In some cases the managing director of a subsidiary is also a director of Caledonian Holdings. All material decisions are discussed between the chairman and managing director of the relevant subsidiary either informally or at regular meetings. Responsibility for the day-to-day management of the activities of each subsidiary is delegated to the managing director or general manager of that subsidiary. The particular responsibilities of the 4 executive directors of Caledonian Holdings are referred to under 'Directors' below.

The Caledonian Holdings board meets at intervals of about 2 months to review trading results, capital expenditure and financial arrangements, and personnel matters.

This form of management enables the Caledonian Holdings board to maintain a close control over the financial progress and development of all subsidiary companies within the group without the need for a large central management staff. I am based in Edinburgh and am in active contact with all of the companies within the group. The other executive directors of Caledonian Holdings are based at the companies for which they have particular responsibility.

I now comment on the activities of each of the divisions.

HOME IMPROVEMENT DIVISION

Years to 30th September	*1974*	*1975*	*1976*	*1977*	*1978*
Turnover (£000)	7,090	8,379	11,374	12,715	16,239
Profit before central costs, interest and tax (£000)	288	402	627	708	767

The principal operating companies in the home improvement division are Timberland Limited ('Timberland') and Ideal Timber Products Limited ('Ideal Timber').

Timberland, whose head office is in Edinburgh, is one of the largest retailers of home improvement and do-it-yourself products in the UK. We estimate that it accounts, nevertheless, for only some 1% of this expanding market. The product range comprises kitchen and other furniture, paint and wallpaper, timber, flooring, hardware, garden equipment and building materials. A substantial part of the furniture, paint and hardware ranges is sold under Timberland's own brand name.

Timberland sells through 2 types of outlet: shops, mainly high street shops, trading as 'Timberland', and retail warehouses trading as 'Big T Timberland'. Nearly all Timberland's shops and retail warehouses are on short term or medium term leases. This has the advantage of permitting rapid expansion within the financial resources available but it does inevitably involve rent reviews. Current practice on new leases is to establish reviews at 5 yearly intervals.

There are 63 shops with selling space ranging in size from 700 sq. ft. to 7,500 sq. ft. and these currently account for just over 50% of Timberland's turnover. 16 shops are in Scotland and the remainder are in England. Timberland's policy is to close small shops and to acquire larger units. There are 12 retail warehouses ranging in size from 9,000 sq. ft. to 33,000 sq. ft. These have the advantage over shops of considerably lower rental costs and also of car-parking facilities for customers. 9 of the retail warehouses are in Scotland and 3 are in England. The earlier warehouses were fitted out at a minimum of cost, but recent openings have been fitted out to a much higher standard which includes display settings to allow the customer to see the full potential of the various products.

The first retail warehouse was opened at Renfrew, near Glasgow, only some 3½ years ago. We have made rapid progress since then and further growth should be achieved with the opening shortly of 4 new warehouses; at Renfrew a larger unit, covering 42,000 sq. ft., has been leased and should start trading in the spring of this year and warehouses at Grimsby, Sunderland and Sheffield will add a further 61,000 sq. ft.

Timberland sells on a cash basis. It also offers hire purchase facilities through a finance house. Timberland has a strong presence in Scotland. Just under 50% of sales come from the 16 shops and 9 warehouses in Scotland. This coverage enables cost effective advertising both in the press and on television. We feel that Timberland is well placed to increase its share of the highly competitive but expanding home improvement market. There is particular opportunity for expansion in England where our presence is less concentrated.

Timberland's furniture sales account for approximately 40% of its total sales, and are therefore a very important part of its business; 80% of Timberland's furniture is produced at the group's own factory trading as Ideal Timber Products Limited. Ideal Timber's 177,000 sq. ft. factory and warehouse at Dumbarton are modern, with plant and machinery designed to produce a range of melamine-faced or painted chipboard furniture, primarily kitchen units. Production is currently running at some 6,000 units per week, 5,000 of which are kitchen units, and the remainder largely chests of drawers, bedside cabinets, desks and lounge units. All products are packed in easily transportable cartons in kit form ready for customer assembly, a method which is particularly suited to the home improvement market.

Virtually all of Ideal Timber's non kitchen unit production is sold through Timberland. In the last financial year 53% of Ideal Timber's sales was to Timberland and the remaining 47% was sold outside the Caledonian Holdings group, either to distributors or directly to builders' merchants. To service these outside customers, Ideal Timber has a small national sales force of 18 representatives. The kitchen units made by Ideal Timber sell under the brand names of 'Pacemaker', 'Passport' and 'Compass'. In April 1978 a new melamine-faced metric kitchen unit range called 'Calypso' was introduced to the Timberland outlets, and sales to date have substantially exceeded our expectations. This range was designed to enable customers to make their own choice of door and drawer finish which can then be attached to a standard unit.

Ideal Timber has some 2% of the total UK market for kitchen units and approximately 5% of the self assembly market. Ideal Timber works closely with Timberland and should benefit from the planned expansion of that company. We are nevertheless conscious of the need to keep abreast of current innovations and designs within the furniture market generally.

The home improvement division also has a 9,300 sq. ft. silk screen printing factory in South London, trading as Expedite Publicity Limited. This small but efficient company makes sales tickets and posters.

Although 1978 showed only a modest increase in the profits of this division, trading in the current year has started well and sales for the first 2 months are significantly above those for the same period last year. We are confident that our continuing policy of expansion will show benefits in profit terms in the future.

JEWELLERY DIVISION

Years to 30th September	*1974*	*1975*	*1976*	*1977*	*1978*
Turnover (£000)	5,226	6,583	6,317	8,475	9,044
Profit before central costs, interest and tax (£000)	843	941	600	961	880

The jewellery division is one of the leading manufacturers in the UK of precious jewellery in the popular price range. Its main products are wedding rings, engagement rings, signet rings, earrings, pendants, bracelets, lockets, cuff links, charms and simulated and cultured pearls. Designs are in the main traditional, but new ranges are produced at frequent intervals to take account of fashion changes.

Production is at 4 locations: Hatton Garden in London, central Birmingham, King's Norton near Birmingham and Leamington Spa. The total area of these factories is approximately 55,000 sq. ft. The King's Norton and Leamington Spa factories, which are freehold, are purpose built jewellery factories and have space for expansion. The existing central Birmingham location is an old building in the established jewellery area of the city and we have recently agreed to lease, as an alternative, a new building which is directly opposite. The jewellery industry is still craft orientated and is thus not plant intensive. We believe that we are as well equipped as any of our competitors.

Sales to retail jewellers account for some 90% of total sales and the remaining 10% is to leading mail order houses. We have over 2,750 active retail accounts, serviced by a national and international sales force of 33 representatives. Retail customers include most of the major retail jewellery groups.

The jewellery division comprises 6 companies, 4 of which are involved in both manufacturing and selling, and 2 are devoted solely to export marketing. Export sales account for approximately 13% of total sales.

Jewellery manufacture requires the use of significant quantities of precious metals and stones. At 30th September 1978 the value of the jewellery division's stocks was £4.2 million. Inevitably, the financial performance of the division is affected by the movement in the prices of the commodities which it uses and, while the broad trend of prices in recent years has been upwards, there have been sharp short term fluctuations, particularly in the price of gold. This has resulted in customer demand switching to products with a lower gold content and this has led to a consequent squeeze on gross profit margins. We remain very conscious of the need to maintain a balance between the range of choice we must offer to our customers and the financial implications of large stockholdings.

The jewellery division had a difficult year in 1978 with profits down by about 8% compared with the previous year. This reflected in part a weakness in demand from mail order houses, although there was an improvement in demand towards the end of the year. We expect profits of the jewellery division for the current financial year to be better than those of last year.

With an efficient manufacturing operation and close trading links with most of the major retail jewellery groups we are confident of the longer term future for the jewellery division. We have to recognise, however, that the long term growth of the division is largely dependent on the growth in overall demand for jewellery products within the UK.

ENGINEERING DIVISION

Years to 30th September	*1974*	*1975*	*1976*	*1977*	*1978*
Turnover (£000)	6,295	6,434	8,542	10,952	12,500
Profit before central costs, interest and tax (£000)	652	616	679	880	923

The engineering division comprises 7 trading companies. The largest profit contributor within the division is Polarcold Limited ('Polarcold') which for the year to 30th September 1978 earned a profit of £418,000 before central costs, interest and tax. Polarcold produces and fabricates metal pressings for the motor and domestic appliance industries; it is based at Congleton in Cheshire, where is has a 180,750 sq. ft. factory complex which is mainly purpose built. Excluding motor vehicle manufacturers, this company has one of the largest pressing plants in the UK with a total of over 100 presses of wide ranging size and capacity. Polarcold's principal customer is Ford Motor Company Limited whose car, truck and tractor divisions purchase fuel tanks, body panels, pulley assemblies and other smaller components. These 3 divisions of Ford have been customers for over 30 years, and last year accounted for 55% of turnover. Polarcold also makes components for washing machines and gas fires. We believe that the extensive production facilities of Polarcold will enable it to maintain an efficient service to customers. This should create a strong base for the future but we recognise that the progress of Polarcold will be largely dependent on the requirements of major customers.

There is a small subsidiary which is also based at Congleton, Tropical Packers (Cheshire) Limited, which manufactures wooden packing cases.

The engineering division has 2 factories in Glasgow. One of these specialises in the fabrication of stainless steel sanitary ware. The other supplies and instals electrically heated storage tanks for bitumen primarily for use in the quarry industry, and also undertakes general electrical contracting work. These activities are undertaken by 3 separate companies, Associated Metal Works Glasgow Limited, The Clarmac Engineering Co. Limited and Edmiston Brown & Co. Limited, which for the year to 30th September 1978 earned a total profit before central costs, interest and tax of £130,000. These 3 companies produce a high return on capital employed but have limited growth prospects.

Praills Hereford Limited ('Praills') is a distributor of Seddon Atkinson heavy commercial vehicles for Hereford and South Wales, with depots at Hereford and Swansea. Having been a Perkins Engine distributor for several years, Praills obtained in 1976 the franchise to operate a Perkins Power Centre covering the West Midlands and South Wales. Praills' profit before central costs, interest and tax for the year to 30th September 1978 was £280,000. The profit performance of this company will inevitably reflect the fluctuations in demand in the road haulage and vehicle distribution sectors. It has nevertheless achieved on average a high return on capital employed over the last few years and we believe that it can continue to do so in the future.

A. Baird & Sons Limited is a distributor for Massey-Ferguson agricultural machinery and for Peugeot cars, and a retail dealer for Austin and Morris cars, operating from premises in Annan and Dumfries in South West Scotland. This company earned a profit before central costs, interest and tax of £91,000 for the year to 30th September 1978.

The engineering division achieved record profits in 1978. The first 2 months of the current financial year have inevitably been affected at Polarcold by the recent Ford strike, but we are hopeful that the division as a whole will make good any lost turnover before the end of the year.

LADIES HOSIERY DIVISION

Years to 30th September	*1974*	*1975*	*1976*	*1977*	*1978*
Turnover (£000)	4,156	4,219	4,851	4,743	4,154
Profit/(loss) before central costs, interest and tax (£000)	179	(10)	54	*83	*300

*after crediting temporary employment subsidy as indicated below.

The hosiery division manufactures ladies tights, socks and stockings in both fine and heavy denier yarns. The division is based near Hinckley in Leicestershire, where it has 2 factories, covering a total of 92,000 sq. ft. These factories are managed through 2 companies, Barber & Nicholls Limited and Nicholls & Wileman Limited. The factories, both of which are leasehold, operate approximately 445 knitting machines together with appropriate making-up machines. Production, which varies depending on the type of garment being produced, is currently running at about 40,000 dozen hose per week, of which some 3,000 dozen is in heavy denier yarn. About 75% of fine denier production is ladies tights and the balance is socks and stockings.

The division is organised primarily to supply, under contract, major retail chains and department stores who sell under their own brand names. Approximately 70% of output is to this type of customer and the balance, most of which is sold under our brand names of 'Mary Poppins' and 'Elle', is sold to wholesalers and smaller retailers.

In 1975 this division made a loss and 2 years ago we undertook a major exercise to rationalise the activities of the division and to bring it back into profitability. The scale of production was cut and the range of products simplified; the number of customers was reduced and we ceased direct selling to small outlets; overheads were trimmed and the capital employed in the division was reduced materially. This exercise was a very costly one, but the impact of these costs was substantially reduced by the receipt of temporary employment subsidy, which amounted to £395,000 in the year to 30th September 1977 and £100,000 in the following year. Although this was a disruptive exercise we believe it has been a successful one. We now have a smaller operation, which we consider to be substantially more efficient and viable than 2 years ago. As shown above, the division achieved a profit before central costs, interest and tax of £300,000 for the year to 30th September 1978 compared with £54,000 for 1976 and £83,000 for 1977. Current trading is satisfactory and we believe that the division is soundly based to achieve good profits in the future.

As part of the rationalisation of this division, in September 1977 we closed our yarn texturising factory at Durham, which traded as John Wallace Textiles Limited and whose performance had been unsatisfactory for several years. The summary figures set out above include turnover of John Wallace Textiles Limited of £361,000 and £565,000 for 1976 and 1977 and losses for these 2 years of £34,000 and £67,000 respectively, after crediting temporary employment subsidy of £59,000 in 1977.

DIRECTORS

I have already explained that the Caledonian Holdings board provides the chairman and in some cases also the managing director of the subsidiary companies and it is through these positions that the Caledonian Holdings board controls the activities of the group.

I set out below the directors of Caledonian Holdings and their particular responsibilities within the group:

Roy Burns LLB FCA. I am aged 44 and am chairman and managing director of the group. I am also chairman of all subsidiary companies in the group, other than 3 companies in the engineering division. I have been a director of Caledonian Holdings or its predecessor company for 13 years and I have been with companies within the group for a total of 15 years.

Robson Conway CA is aged 40. His main responsibility is as managing director of Ideal Timber, an appointment which he has held since August 1974. He is also chairman of 2 companies in the engineering division. He has been a director of Caledonian Holdings or its predecessor company for 8 years and has been with companies within the group for a total of 14 years.

Herbert Maxfield is aged 62. He is managing director of Polarcold and is also chairman of one of the other companies in the engineering division. He has been a director of Caledonian Holdings or its predecessor company for 7 years and with Polarcold for a total of 31 years.

Brian Neiman is aged 58. He is managing director of all the companies within the jewellery division. He has over 40 years experience in the jewellery trade and has been with companies which are now within the group for the past 26 years. He is currently chairman of the British Jewellers Association. He has been a director of Caledonian Holdings or its predecessor company for 7 years.

Norman Macfarlane is aged 52. He was appointed a director in September 1978 and is non-executive. He is executive chairman of Macfarlane Group (Clansman) Limited, a listed Scottish group, whose main activities are in packaging, particularly for the whisky and computer industries.

Geoffrey Newbery MA (Econ.) is aged 48. He was also appointed a director in September 1978 and is non-executive. He is a director of Baird Textiles Holdings Limited, the Cheshire based textile group. He has been a non-executive director of each of the companies in the ladies hosiery division of Caledonian Holdings for the past 6 years.

I have a service agreement with Caledonian Holdings and Herbert Maxfield has a service agreement with Polarcold. Details of these agreements are set out under 'General Information' below. None of the other directors of Caledonian Holdings has a service agreement with any group company. Each of the executive directors of Caledonian Holdings is a member of the Caledonian Holdings pension scheme.

CALEDONIAN HOLDINGS LIMITED OFFER FOR SALE BY NOBLE GROSSART LIMITED.

EMPLOYEES

The Caledonian Holdings group has approximately 2,800 employees; 1,200 are in home improvement, 500 in jewellery, 700 in engineering and 400 in ladies hosiery. We have good labour relations in all divisions and a virtually strike free record.

PROFIT RECORD AND CASH FLOW

During the 5 years to 30th September 1978 group pretax profit has increased from £1,662,000 to £2,443,000. In this period we have generated a substantial positive cash flow much of which has been paid as dividends to Stenhouse Holdings and also as payments in lieu of tax to Stenhouse Holdings and other group companies, as shown below:

Payments in years to 30th September	*1974* *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
Dividends paid to Stenhouse Holdings	600	500	350	350	350
Inter-group payments in lieu of tax	(9)	957	203	685	669
	591	1,457	553	1,035	1,019

The inter-group payment in lieu of tax made in the year to 30th September 1978 includes a payment of £317,000 made in respect of the year to that date. Since 30th September 1978 a dividend of £400,000 has been paid to Stenhouse Holdings in respect of the year to that date and a further dividend of £1,815,000 has also been paid. On 15th January 1979 Stenhouse Holdings subscribed £1,815,000 of additional capital to Caledonian Holdings.

We believe that our cash flow would have been different and more advantageous to Caledonian Holdings if it had been operating independently during this 5 year period. Dividends in the earlier years would most probably have been lower and the payments for tax would have been partially deferred by alternative utilisation of tax allowances which would not have required to recognise the tax position of the Stenhouse Holdings group. More cash would have been available for reinvestment by Caledonian Holdings. As an independent company we expect to benefit from being able to retain a higher proportion of our cash flow and consequently to finance a higher level of reinvestment.

I have already referred to the group's record of generating positive cash flow. The directors of Caledonian Holdings consider that, after taking into account available bank and other borrowing facilities, the Caledonian Holdings group has sufficient working capital for its present requirements.

FUTURE PROSPECTS

We have had a good start to the current financial year. There has been particularly good progress in the activities of the home improvement division. While the directors of Caledonian Holdings consider that it is too early in the financial year to make a formal forecast of profits, we are nevertheless confident that, in the absence of unforeseen circumstances, we shall be able to report satisfactory results for the year as a whole.

PRO FORMA BALANCE SHEET

In the accountants' report shown below there is set out a pro forma balance sheet of the Caledonian Holdings group at 30th September 1978 reflecting changes in accounting policy and certain transactions which have occurred since that date in anticipation of Caledonian Holdings becoming an independent company. The effect of these changes and transactions, which are explained in detail in note 16 to the accountants' report, can be summarised as follows:

	£000
Caledonian Holdings group shareholders' funds as shown in the audited balance sheet at 30th September 1978	5,063
The acquisition by Caledonian Holdings for £400 of the whole issued share capital of Stenhouse Properties (London) Limited ('Stenhouse Properties'). This transaction brought back into the Caledonian Holdings group certain properties which had been transferred to Stenhouse Properties in 1974 by the Caledonian Holdings group	Nil
The credit to capital reserve of the surplus of £428,000 over book value arising on the revaluation at 31st October 1978 by Richard Ellis, Chartered Surveyors, of the heritable, freehold and principal leasehold properties now owned by the Caledonian Holdings group	428
The transfer to revenue reserves of £1,500,000 of the £3,518,000 provision for deferred tax at 30th September 1978. This transfer is the amount which the directors, following a review of the provision for deferred tax in the light of Statement of Standard Accounting Practice Number 15, consider is not required in the foreseeable future	1,500
The subscription of new capital and the payment of the further dividend referred to above	Nil
Caledonian Holdings group shareholders' funds as shown in the pro forma balance sheet at 30th September 1978	6,991

Based on the pro forma balance sheet, shareholders' funds at 30th September 1978 were 69.91p per share.

DIVIDENDS

In the absence of unforeseen circumstances, the directors of Caledonian Holdings intend to recommend dividends totalling 4.75p per share (equivalent to 7.09p per share including the related tax credit at the current rate) in respect of the year to 30th September 1979. It is expected that these dividends would be paid as an interim of 2.25p per share in September 1979 following the announcement of the interim results and a final of 2.50p per share in April 1980 following the annual general meeting.

Under current controls, which are due to expire on 31st July 1979, Caledonian Holdings would not be subject to any dividend restraint in respect of the 2 years ending 30th September 1980. The directors of Caledonian Holdings intend to recommend dividends for the year to 30th September 1980 which reflect the progress made by the Caledonian Holdings group during that year.

By way of illustration, there is set out below the possible appropriation of profits for the year to 30th September 1979 on the assumptions that the forecast dividends are paid and that group profit before tax for that year is the same as was achieved for the year ended 30th September 1978. The rate of tax charge on profits will, inter alia, depend on the directors' view of the level of deferred tax provision which is required. It is not possible to predict with accuracy what the effective tax rate will be for the year to 30th September 1979 and the appropriation of profits is therefore shown on the assumption that this rate will be a notional 52%.

	£000
Profit before tax for the year to 30th September 1978	2,443
Corporation tax at a notional rate of 52%	1,270
	1,173
Forecast dividends of 4.75p per share	475
Profit retained	698
Earnings per share	11.73p

On the above assumptions, the forecast dividends would be covered 2.47 times. The forecast dividends, including the related tax credit at the current rate, would represent a gross equivalent dividend yield of 10.91% at the Offer for Sale price. Based on the above illustration, Caledonian Holdings would be valued at the Offer for Sale price at a multiple of 5.54 times earnings per share.

THE LONGER TERM

My colleagues and I on the board of Caledonian Holdings believe that we have within our group the quality of management which can maintain a good return on capital employed. We look forward to a stimulating and successful future as an independent group.

Yours faithfully,
W. Roy Burns
Chairman and managing director

ACCOUNTANTS' REPORT

The following is a copy of a report which has been received from Thomson McLintock & Co., the auditors of Caledonian Holdings and the reporting accountants:

Glasgow
19th January 1979

To the Directors
Caledonian Holdings Limited
Noble Grossart Limited

Gentlemen,

(a) Report on audited accounts 1973 to 1978

We report on the balance sheet of Caledonian Holdings Limited, formerly Stenhouse Industries Limited, ("Caledonian Holdings") at 30th September 1978, the consolidated balance sheets of Caledonian Holdings and its subsidiary companies ("the Caledonian Holdings group") at 30th September 1973 to 1978, and the related statements of consolidated profits and consolidated source and application of funds for the five years ended 30th September 1978. This financial information has all been prepared under the historical cost convention modified by the revaluation of certain assets.

We have been auditors of Caledonian Holdings since its incorporation in March 1972 and of the companies which are now its subsidiaries (all wholly owned) since 1964 (or if later the date of their acquisition by Caledonian Holdings or the previous holding company) with the exception of two subsidiary companies which are audited by other firms of accountants and which together accounted for 7% of group turnover for the year to 30th September 1978, 4% of group profits before interest and tax for the year to 30th September 1978 and 6% of group share capital and reserves at 30th September 1978.

The information presented below is based on the audited accounts after making such adjustments as we consider necessary. The principal adjustment has been to the basis of evaluating stocks in order to comply with Statement of Standard Accounting Practice Number 9 which became effective in the year to 30th September 1977.

In our opinion the financial information gives, under the historical cost convention, on a consistent basis, a true and fair view of the state of affairs of Caledonian Holdings at 30th September 1978, of the state of affairs of the Caledonian Holdings group at 30th September 1973 to 1978 and of the profit and source and application of funds of the Caledonian Holdings group for each of the five years to 30th September 1978.

There have been no audited accounts of Caledonian Holdings or of the Caledonian Holdings group since those at 30th September 1978.

(b) Report on pro forma balance sheet at 30th September 1978

We report separately on a pro forma balance sheet of the Caledonian Holdings group at 30th September 1978. This pro forma balance sheet reflects changes in accounting policy and certain transactions which have occurred since 30th September 1978. These changes and transactions are set out in detail in note 16. In our opinion the pro forma balance sheet fairly reflects the financial position of the Caledonian Holdings group on the basis that the matters detailed in note 16 had taken place on 30th September 1978.

Accounting policies

The significant accounting policies adopted in preparing the financial information given in this report are as follows:

(a) Basis of consolidation

The group balance sheets and statements of group turnover and profits and group source and application of funds include the accounts of Caledonian Holdings and each of its subsidiaries.

(b) Stocks and work in progress

Stocks and work in progress are valued on the basis of the lower of cost and net realisable value. In the case of manufactured stocks and work in progress, cost comprises direct material, labour and production overheads.

(c) Government grants

Government grants receivable in respect of capital expenditure are transferred to a special account and, except where related to buildings not subject to depreciation, are written back to profit and loss account over the estimated lives of the assets to which they relate.

(d) Depreciation of fixed assets

No depreciation has been provided on heritable or freehold land and buildings. Leasehold properties are depreciated in equal instalments over the remaining life of the lease or over the period to the next rent review if earlier. Statement of Standard Accounting Practice Number 12 will come into effect in the year to 30th September 1979 and the group will then be required to provide for depreciation on most buildings (see note 1).

Depreciation on plant, equipment and vehicles is charged on historical cost, without deduction of any government grants, on a straight line basis at varying annual rates, the principal of which are plant and equipment at 10% and 20% and vehicles at 25% and 33%.

One subsidiary has provided additional depreciation on plant and equipment based on a revaluation of assets. The revaluation of that plant and equipment is not incorporated in the group accounts.

(e) Deferred tax

Provision has been made at the rate of 52% throughout the period for the deferred liability to corporation tax arising from timing differences between the treatment of costs and revenues for tax purposes and for accounting purposes. Provision has also been made for the potential liability to corporation tax which would arise on the disposal at book value, outwith the Stenhouse Holdings and Caledonian Holdings groups, of the properties which were transferred to and leased back from a fellow subsidiary company (see note 7).

Subsequent to 30th September 1978 the directors have reviewed the provision for deferred tax in the light of Statement of Standard Accounting Practice Number 15 (see note 16(c)).

(f) Turnover

Turnover represents the value of all sales invoiced to customers during the year less returns and trade discounts and excludes inter company transactions and value added tax.

(g) Opening and closing of stores

Pre-opening costs relating to new stores and gains and losses on closure of stores have been charged or credited in arriving at trading profits.

Group turnover and profits

	note	*1974* *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
Turnover—by division:						
Home improvement		7,090	8,379	11,374	12,715	16,239
Jewellery		5,236	6,583	6,317	6,475	9,044
Engineering		6,293	6,934	8,542	10,952	12,500
Ladies hosiery		4,156	4,219	4,851	4,743	4,154
Total		22,765	26,115	31,084	34,885	41,937
of which exports		1,100	1,056	1,979	2,473	2,058
Trading profit (loss) before interest and tax—by division	1					
Home improvement		288	402	627	708	767
Jewellery		843	941	600	961	880
Engineering		652	616	679	880	923
Ladies hosiery		179	(10)	54	83	300
		1,962	1,949	1,960	2,632	2,870
Central costs		(36)	(108)	(100)	(205)	(142)
		1,926	1,841	1,860	2,427	2,728
Less: Interest	2	264	276	315	403	285
Profit before tax		1,662	1,565	1,545	2,024	2,443
Less: Tax	3	840	845	816	1,134	1,324
Profit after tax		822	720	729	890	1,119
Extraordinary items	4	(119)	(65)	6	(12)	(23)
Net profit		703	655	735	878	1,096
Less: Dividend		500	350	350	350	400
Retained profit	13	203	305	385	528	696
Earnings per share before extraordinary items based on 10,000,000 issued ordinary shares of 25p each		8.2p	7.2p	7.3p	8.9p	11.2p

Balance sheets 1973 to 1977

	note	*1973* *£000*	*1974* *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*
		Group at 30th September				
Fixed assets	5	2,841	2,953	1,666	1,827	1,917
Investment in subsidiary companies	6	—	—	—	—	—
Loans to fellow subsidiary company	7	—	—	1,345	1,310	1,271
Current assets						
Stocks and work in progress	8	4,793	6,890	7,403	8,291	9,879
Debtors		3,323	3,317	3,561	4,135	5,175
Dividends from subsidiaries		—	—	—	—	—
Bank and cash		47	16	22	49	54
		8,163	10,223	10,986	12,475	15,108
Current liabilities						
Creditors	9	4,026	4,348	4,991	5,215	6,363
Tax		531	1,310	886	697	344
Short term loans		—	16	100	350	509
Bank overdraft (partly secured)		324	1,952	1,425	1,498	1,149
Proposed dividend		600	500	350	350	350
		5,481	8,126	7,352	8,110	8,711
Net current assets		2,682	2,097	3,634	4,365	6,397
Owing (to)/by Stenhouse Holdings		(424)	143	(626)	31	(734)
Owing (to)/by fellow subsidiaries		(12)	(11)	241	(13)	(17)
		5,087	5,182	6,280	7,520	8,834
Loan stock and other loans	10	(1,972)	(1,906)	(1,865)	(1,837)	(1,784)
Deferred tax	11	(325)	(194)	(984)	(1,810)	(2,625)
Government grants		(242)	(280)	(217)	(198)	(147)
		2,548	2,802	3,214	3,675	4,278
Share capital and reserves						
Share capital	12	850	850	850	850	850
Share premium		1,150	1,150	1,150	1,150	1,150
Reserves	13	548	802	1,214	1,675	2,278
		2,548	2,802	3,214	3,675	4,278

Balance sheets at 30th September 1978 and pro forma balance sheet at that date

	note	*Caledonian Holdings* *£000*	*Group* *£000*	*Pro forma Group* *£000*
Fixed assets	5	16	2,460	4,322
Investment in subsidiary companies	6	2,567	—	—
Loans to fellow subsidiary company	7	—	1,236	—
Current assets				
Stocks and work in progress	8	—	10,941	10,941
Debtors		66	5,543	5,543
Dividends from subsidiaries		947	—	—
Bank and cash		2,971	45	45
		3,984	16,529	16,529
Current liabilities				
Creditors	9	296	6,925	6,925
Tax		46	139	139
Short term loans (£62,000 secured)		—	600	600
Bank overdraft (£96,000 secured)		—	1,643	1,643
Proposed dividend		400	400	400
		742	9,707	9,707
Net current assets		3,242	6,822	6,822
Owing (to)/by Stenhouse Holdings		197	80	(330)
Owing (to)/by fellow subsidiaries		—	(212)	—
		6,025	10,386	10,814
Loan stock and other loans	10	(1,638)	(1,665)	(1,665)
Deferred tax	11	(47)	(3,518)	(2,018)
Government grants		—	(140)	(140)
		4,340	5,063	6,991
Share capital and reserves				
Share capital	12	850	850	2,500
Share premium		1,150	1,150	1,315
Reserves	13	2,340	3,063	3,176
		4,340	5,063	6,991

The above pro forma balance sheet has been prepared by applying certain adjustments (which are detailed in note 16) to the audited group balance sheet at 30th September 1978 to reflect what the Caledonian Holdings group's financial position would have been at that date had these (but no other) adjustments been applied to that balance sheet. We have reported separately above on the pro forma balance sheet.

Group source and application of funds

	1974 *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
	Year to 30th September				
Source of funds					
Funds generated from operations					
Group profit before tax	1,662	1,565	1,545	2,024	2,443
Extraordinary items before tax	(119)	(65)	(8)	(9)	10
	1,543	1,500	1,537	2,015	2,453
Adjustment for items not involving the movement of funds					
Depreciation	607	674	633	690	642
Government grants written back	(63)	(72)	(38)	(78)	(20)
Gain on sale of fixed assets	(22)	(14)	(26)	(44)	(32)
	522	588	569	558	590
Total from operations	2,065	2,088	2,106	2,573	3,043
Funds from other sources					
Proceeds of sales of fixed assets	193	104	174	181	275
Repayment of tax	3	283	41	9	—
Government grants received	101	8	19	28	14
Surplus on loan stock redemptions	6	18	29	2	14
Tax provision on pre-acquisition profit of subsidiary	118	—	—	—	—
	420	383	265	220	303
Total funds generated	2,485	2,471	2,371	2,793	3,346
Application of funds					
Purchase of fixed assets	844	515	877	834	1,353
Tax paid	312	12	—	—	—
Payments for tax losses	(9)	957	203	685	669
Dividends paid	600	500	350	350	350
	1,747	1,984	1,430	1,869	2,372
Increase in working capital					
Stocks and work in progress	2,097	513	889	1,588	1,062
Debtors	(6)	241	574	1,040	387
Creditors	(322)	(243)	(622)	(1,149)	(560)
	1,769	511	841	1,479	869
	3,516	2,497	2,271	3,348	3,241
Movement in borrowings and net liquid resources					
Short term loans	(16)	(84)	(250)	(159)	(99)
Bank overdraft and cash	(1,659)	533	(46)	355	(503)
Group balances	568	(516)	368	(808)	584
Loan repayments	66	41	28	53	119
	(1,041)	(26)	100	(559)	105
	2,485	2,471	2,371	2,793	3,346

The above statements does not reflect the transfer of properties to a fellow subsidiary in the Stenhouse Holdings group in 1974 or the acquisition of that subsidiary by Caledonian Holdings on 4th January 1979 (see note 7).

Notes

1 Trading profit

	1974 *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
The following have been charged (credited) in arriving at the trading profits shown above					
Depreciation of fixed assets					
—based on historical cost	562	628	[illegible]	607	[illegible]
—based on a revaluation not incorporated in the group accounts (see note 13)	45	46	47	73	75
Hire of plant and machinery	75	68	114	110	108
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

11 Deferred tax

	1973 *£000*	*1974* *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
Accelerated capital allowances	354	227	369	370	448	506
Contingent liability on revaluation	—	—	246	241	235	228
Stock relief	—	—	268	1,671	2,439	2,935
Unutilised losses	—	—	(2)	(427)	(350)	(137)
Other timing differences (1978: Caledonian Holdings £47,000)	(29)	(33)	103	(34)	(97)	(12)
	325	194	984	1,810	2,625	3,518

The directors have considered the group's provision for deferred tax in the light of Statement of Standard Accounting Practice Number 15. The amount which the directors consider could have been released to revenue reserves at 30th September 1978 was £1,500,000, which amount would have remained a contingent liability at that date (see note 16(c)).

12 Share capital.

The authorised, issued and fully paid share capital at 30th September 1978 was £850,000 in ordinary shares of £1 each. On 15th January 1979 the authorised share capital was increased to £3,000,000 and the issued and fully paid share capital was increased to £2,500,000 (see note 16(d)).

13 Reserves

	1974 *£000*	*1975* *£000*	*1976* *£000*	*1977* *£000*	*1978* *£000*
Balance beginning of year	548	802	1,214	1,675	2,278
Retained profit for year	203	305	385	528	696
Surplus on loan stock redemptions	6	18	29	2	14
Additional depreciation of fixed assets (note 1)	45	46	47	73	75
Surplus on revaluation of properties after tax	—	45	—	—	—
	802	1,214	1,675	2,278	3,063
Comprising:					
Retained profits of Caledonian Holdings	232	595	942	1,607	2,260
Plant replacement reserve of subsidiary company	86	132	179	252	327
Other reserves (1978: Caledonian Holdings £80,000)	484	487	554	419	476
	802	1,214	1,675	2,278	3,063

As a consequence of a further dividend paid to Stenhouse Holdings on 18th January 1979, the above reserves have been reduced by £1,815,000 (see note 16(e)).

14 Future capital expenditure

Capital expenditure authorised at 30th September 1978 amounted to [illegible] of which [illegible] had been contracted.

15 Guarantees and contingent liabilities

Caledonian Holdings guarantees the overdrafts and certain loans of its subsidiaries and in addition guarantees, up to a limit of £250,000, the liabilities incurred by a subsidiary to a supplier. There are also guarantees to building societies in connection with loans to employees, to a bank for customs duties on samples taken overseas and to landlords for the due performance of a subsidiary's obligations under certain leases. There is a contingent liability in respect of bills discounted by a subsidiary which at 30th September 1978 amounted to £248,000.

16 Changes in accounting policy and certain transactions occurring after 30th September 1978

Since 30th September 1978 changes in accounting policy and certain transactions of significant effect have taken place in anticipation of Caledonian Holdings becoming an independent company. These changes and transactions, which are reflected in the above pro forma balance sheet at 30th September 1978, are set out in detail below together with a note of their effect on the shareholders' funds of the Caledonian Holdings group at 30th September 1978.

(a) On 4th January 1979 the whole issued share capital of Stenhouse Properties (London) Limited ("Stenhouse Properties") was acquired by Caledonian Holdings for a consideration of £400 paid in cash. The principal assets of Stenhouse Properties are certain heritable, freehold and leasehold properties of the Caledonian Holdings group which properties had a book value of £1,434,000 at 30th September 1978. The principal liabilities of Stenhouse Properties at the date of its acquisition by Caledonian Holdings were loans of £1,434,000 due to the Caledonian Holdings group. [illegible]

[illegible]

PROPERTIES

[illegible]

GENERAL INFORMATION

[illegible]

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 27—31	British Toy and Hobby Fair (01-707 7127)	Earls Court
Jan. 28—Feb. 1	Lightshow 79 (0248 88396)	Olympia
Jan. 30—Feb. 1	Fancy Goods and Gift Trade Fair (041-334 9249)	Cumberland Hotel, W1
Jan. 31—Feb. 2	Microsystems 79 (0483 31261)	West Centre Hotel, London
Feb. 4—8	International Spring Fair 01-499 7324)	Exbn. Centre, Birmingham
Feb. 6—8	London Catering Fair (0428 52785)	New Horticultural Hall
Feb. 7—8	CBMPE London Exhibition (01-637 3841)	West Centre Hotel, London
Feb. 9—10	Cruft's Dog Show (01-493 6651)	Earls Court
Feb. 13—15	Catering, Licensed Trade, Hotel and Club Exbn. (0202 21812)	Falcon Rooms
Feb. 18—22	International Men's and Boy's Wear Exhibition IMBEX (021-705 6707)	Olympia
Feb. 19—22	Photography at Work Exhibition (01-688 7788)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Jan. 20—28	International Boat Show—BOOT (01-409 0956)	Dusseldorf
Jan. 22—27	International Audiovisual & Communications Show	Paris
Jan. 29—Feb. 2	Internatl. Sweets and Biscuits Fair (01-409 0956)	Cologne
Feb. 6—9	AIRMEC 79—The Aircraft Maintenance Men's Exbn. (St. Albans 63213)	Zurich
Feb. 8—18	International Motor Show	Amsterdam
Feb. 10—16	International Toy Exhibition (01-439 3964)	Paris

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
Current	Textile Institute: Annual Conference: Cotton in a Competitive World (061-834 8457) (until Jan. 23)	New Delhi
Jan. 22—23	Institute of Offshore Engineering: Risk Analysis of Offshore Installations (031-449 5111)	Heriot-Watt University
Jan. 22—23	ESC: 1979 Finance Directors Conference (057 282 2711)	Royal Garden Hotel, W8
Jan. 22—26	Ashridge Management College: The Essentials of Management Accounting (044 284 3491)	Ashridge College, Berkhamsted
Jan. 22—25	Institute of Personnel Management: The Elements of Salary Administration (01-387 2844)	Whites Hotel, W2
Jan. 23	Oyez-IBC: Presenting 1978/1979 Accounts—The options available (01-242 2481)	Europa Hotel, W1
Jan. 23	Inbucon: National Policy and Pay Re-structuring (01-584 6171)	Dorchester Hotel, W1
Jan. 23	IPS: Improving Importing Procedures—for Profit (0990 23711)	Sudbury House, EC1
Jan. 23	The Henley Centre for Forecasting: Investment Markets: Forecasts to 1984 (01-251 3841)	Carlton Tower Hotel, SW1
Jan. 29	Investment and Property Studies: The Advantages of Unlimited Companies for the Professional Practice (01-242 2481)	Royal Lancaster Hotel, W2
Jan. 29—Feb. 1	IPM: Foundations of Good Industrial Relations (01-387 2844)	Whites Hotel, W2
Jan. 30	Executant Conferences: Product Liability (0494 33171)	Bull Hotel, Gerrards Cross
Jan. 30—31	FT Conference: Business in the Gulf (01-236 4382)	Grosvenor House, W1
Jan. 31	CCC: Minimising Tax Series 1979—Working Abroad (01-222 6362)	Portman Hotel, W1
Feb. 1	BCPA: Unfair Dismissal (01-405 1623)	Waldorf Hotel, WC2
Feb. 1	CCC: Minimising Tax Series 1979—VAT	Portman Hotel, W1
Feb. 1—2	Oyez-IBC: Design Liability in the Construction Industry (01-242 2481)	Hilton Hotel, W1
Feb. 3—4	Development Board for Rural Wales: New Small Businesses (0686-26965)	Llandrindrod Wells
Feb. 4—9	University of Bradford Management Centre: Industrial Relations Negotiation (Bradford 42299)	Heaton Mount, Bradford
Feb. 4—23	Cranfield School: Young Managers Course (0234 751122)	Cranfield, Bedford
Feb. 5	Oyez-IBC: Advertising to Doctors and Dentists (01-242 2481)	Royal Lancaster Hotel, W2
Feb. 5	IPM: Unfair Dismissal—everything you wanted to know but were afraid to ask (01-387 2844)	Dragonara Hotel, Bristol
Feb. 5—6	Charterhouse Management: Finance for the Non-Financial Director (01-606 0121)	St. Ermin's Hotel, SW1
Feb. 5—6	Institution of Mechanical Engineers: Engineer and Society 01-839 1211)	Whites Hotel, W2
Feb. 5—9	IPM: Selecting the Right Candidate (01-387 2844)	Odeon, Marble Arch, W1
Feb. 6	Abacus: Rent Reviews and Renewal of Leases (07782 4471)	Kensington Palace Hotel, W8
Feb. 6	Business Perspectives: China's Industrialisation—the role for Britain (01-589 3197)	Grosvenor House Hotel, W1
Feb. 6	BACIE: The Qualification Jungle (01-942 6641)	Park House, W4
Feb. 6	ASM: The Legal Implications to Engineering Contracts (01-385 1992)	Royal Automobile Club, SW1
Feb. 6—8	RRG: Managing the Risk (01-236 2175)	Marriott Hotel, Amsterdam
Feb. 6—7	The Henley Centre for Forecasting: Practical Training in Forecasting (01-251 3841)	Carlton Tower, W1
Feb. 6—8	ASM: Project Management (01-385 1992)	Piccadilly Hotel, W1
Feb. 8	U.S. Expatriate Taxation: Workshop (01-686 5531)	Piccadilly Hotel, W1

Parliament this week

TODAY: Commons. Weights and Measures Bill, second reading.

Select Committees. Public Accounts. Housing associations. Witness: Department of Environment. 4.45 pm. Room 16. Expenditure, Education, Arts and Home Office Sub-committee. Women and the penal system. Witnesses: National Association of Probation Officers, Prison and Borstal Governors branch of the Society of Civil and Public Servants. 4.15 pm. Room 15.

TOMORROW: Commons. Resumed second reading debate on Industry Bill. Social Security Bill, remaining stages.

Lords. Consolidation Bills Committee. Debate on future of coal industry.

Select Committees. Nationalised Industries, Sub-committee A. Report and Accounts. Witness: British Transport Docks Board. 4 pm. Room 8.

WEDNESDAY: Commons. Public Lending Right Bill, remaining stages.

Lords. Representation of People (Armed Forces) Bill, third reading. Debates on social and industrial policy-making and proposed transfer of flights from Heathrow to Gatwick.

Select Committees. Nationalised Industries, Sub-committee E. Ministers, Parliament and the nationalised industries. Witnesses: Professor J. B. Meach, Mr. M. Garner, 4 pm. Room 8. Nationalised Industries, Sub-committee B. Report and accounts. Witness: British National Oil Corporation. 10.45 am. Room 8. Science and Technology, Genetic Engineering Sub-committee. DNA policy. Witness: Health and Safety Executive. 10.30 am Room 15. Expenditure, Trade and Industry Sub-committee. UK domestic air fares. Witness: Airline Users' Committee. 10.15 am. Room 16. Expenditure, Social Services and Employment Sub-committee. Perinatal and neonatal mortality. Witness: Royal College of Obstetricians and Gynaecologists. 4.30 pm. Room 16. Overseas Development. Pattern of UK aid to India. Witness: Crown Agents, 4.30 pm. Room 6.

THURSDAY: Commons. Debate on Opposition motion on doubling of prices in under five years. Motion on EEC documents on the steel industry.

Lords. Marriage (Enabling) Bill, second reading. Debates on industrial situation and London airports.

FRIDAY: Commons. Private members' Bills.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Avon Rubber, Melksham House, Melksham, Wiltshire, 12.30

BOARD MEETINGS—
Finals:
Alexanders Discount
Greenfriar Inv.
Hall Bros. Steamship
Leda Investment Trust
Interim:
Imry Property

DIVIDEND & INTEREST PAYMENTS—
Atkins Bros. (Hosiery) 1.375p
Avon Rubber 6.3571p
Banco De La Nacion Argentina Floating Rate 1983 $48.18
Birmingham Mint 1.8p
Brasway 1p
Exchequer 12pc 1999-2002 £4.7538
Initial Services 1.5p
Kansallis-Osake-Pankki Floating Rate Cap. 1983 $48.7604
Macanie (London) 0.335p (inc. supp. dist. of 0.025p 1977)
Midland Int. Finance Services B.V. Floating Rate 1993 $48.76
Norcros 1.75p
Northern Goldsmiths 0.85p
Property Hldgs. Invest. Trust 0.081p (supplementary)
Property Hldgs., Inv. Trust. 3p
Talbex 0.55p
Treasury Ln 13¼pc 1997 6⅝pc
Treasury Ln. 12¼pc 1992 6⅛pc
Warrington (Thomas) 1.1637
Wheeler's Restaurants 1.55p
Wimpey (George) 0.77074p (inc. supp. dist. of 0.01032 1977)

TOMORROW

COMPANY MEETINGS—
Elson and Robbins, The Post House, Bostocks Lane, Sandiacre, Nottingham, 11
Laganvale Est., 1a Queen's Gate, SW, 11

BOARD MEETINGS
Finals:
Ashdown Invest. Trust
Vantage Securities
Interims:
Davy Corpn.
G.T. Japan Invest. Trust
Smith Bros.
Smith (David S.)

DIVIDEND & INTEREST PAYMENTS—
Alpine Soft Drinks 2.47867p (inc. supp. dist. of 0.06667p 1-4-78)
Bellway Hldgs. Ord. 1.515p
Burnett and Hallamshire Hldgs. Ord. A 1.61534p (inc. supp. dist. of 0.02152 31-3-78)
Caffyns 2.2p
Danks Gowerton 0.7p
Elliott Group of Peterborough 0.25p
Elson and Robbins 2.142p
GEI Int. 1.6p
G.R. Hldgs. 4.05p

WEDNESDAY JANUARY 24

COMPANY MEETINGS—
Devenish (J. A.), The Brewery, Hope Sq., Weymouth, 12.30
General Stockholders Invest. Trust, Winchester House, 100, Old Broad St., 10.45
MEPC, Dorchester Hotel, Park Lane, W. 12
Wolverhampton and Dudley Breweries, Station Hotel, Castle Hill, Dudley, 12.

BOARD MEETINGS—
Finals:
French (Thomas)
Kershaw (A.)
Rank Organisation
Tate and Lyle
Union Discount
Interims:
Austin (James) Steel
Marston Thompson and Evershed
Scottish, English and European Textiles
Vogelstruisbult Metal

DIVIDEND & INTEREST PAYMENTS—
Bromsgrove 6⅞pc Bds. Red. (24-1-79) £5.5505
Coventry 6⅞pc Bds. Red. (24-1-79) £5.5505
Crawley 6⅞pc Bds. Red. (24-1-79) £5.5505
Dunfermline 6⅞pc Bds. Red. (24-1-79) £5.5505
Hammersmith 6⅞pc Bds. Red. (24-1-79) £5.5505
Havering 6⅞pc Bds. Red. (24-1-79) £5.5505
Heywood Williams 2.01p
High Peak 6⅞pc Bds. Red (24-1-79) £5.5505
Hurst (Charles) 2.65p
Metropolitan Police District 6⅞pc Bds. Red (24-1-79) £5.5505
Moss (Robert) 1.1318p (inc. supp. dist. of 0 0155p 31-3-78)
Newport 6⅞pc Bds. Red. (24-1-79) £5.5505
North Wiltshire 6⅞pc Bds. Red. (24-1-79) £5.5505
Nottingham 6⅞pc Bds. Red. (24-1-79) £5.5505
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Scarborough 6⅞pc Bds. Red. (24-1-79) £5.5505
Sefton 6⅞pc Bds. Red. (24-1-79) £5.5505
Stroud 6⅞pc Bds. Red. (24-1-79) £5.5505
Sutton 6⅞pc Bds. Red. (24-1-79) £5.5505
Tendring 6⅞pc Bds. Red. (24-1-79) £5.5505
Wansbeck 6⅞pc Bds. Red. (24-1-79) £5.5505
Wellingborough 6⅞pc Bds. Red. (24-1-79) £5.5505
Wigtown 6⅞pc Bds. Red. (24-1-79) £5.5505

THURSDAY JANUARY 25

COMPANY MEETINGS—
Associated Eng., Savoy Hotel, Strand, W, 12
Bass Charrington, Grosvenor House, Park Lane, W, 12
Brown (Matthew), Trafalgar Hotel, Five Barred Gate, Samlesbury, 12
Caravans Int., Great Eastern Hotel, EC, 12
Causton (Sir Joseph), 11 New Fetter Lane, EC, 11.30
Davenports Brewery, Chamber of Commerce, 75 Harborne Rd., Birmingham, 12.15
Dundee and London Inv. Trust, Royal Exchange, Dundee, 12
Hay's Wharf, Hibernia Chambers, Montague Close, London Bridge, SE, 12
Ranks Hovis McDougall, Purcell Room, Royal Festival Hall, SE, 12
Scottish Inv. Trust, 6 Albyn Place, Edinburgh, 11
Whessoe, St. Ermin's Hotel, Caxton St., SW, 12

BOARD MEETINGS—
Finals:
Allied Textile
Bank Leumi (U.K.)
Derby Trust
Lovell (Y. J.)
Smallshaw (R.) (Knitwear)
Watson and Philip
Interims:
Cowan de Groot
Fitch Lovell
Inchcape
Macarthys Pharmaceuticals
Schlesinger Far East Fund
Schlesinger Intnl. Fund (Jersey)
Throgmorton Trust

DIVIDEND & INTEREST PAYMENTS—
Arfon 10¼pc Bds. Red. (20-1-82) 5⅛pc
Attwood Garages 0.6125p
Australia & New Zealand Banking 6.2182p
Bankers Trust New York Corp. 75cts.
Blaenau Gwent 10¼pc Bds. Red. (20-1-82) 5⅛pc
Bremner 1.1p
Cement-Roadstone 7pcPf. 2.45pc
Corp. of London 8¼pc Bds. Red. (23-1-80) 4⅛pc
Davenports Brewery 2.21p
Dawson Int. Ord. and A 3p
Devenish (J. A.) Ord. 4.45p
East Herts. 8¼pc Bds. Red. (23-1-80) 4⅛pc
G.E.C. 65cts
Harris (Philip) 1.495p (inc. supp. dist. of 0.0045p 31-3-78)
London 8¼pc Bds. Red. (23-1-80) 4⅛pc
MEPC 2.3285p
Orkney Isles. Var. Rate Bds. Red. (19-1-83) £5.575
Pendle Var. Rate Bds. Red. (19-1-83) £5.575
Rothmans Int. B Ord. 0.8p
Sevenoaks Var. Rate Bds. Red. (19-1-83) £5.575
Stanhope General Inv. 1.16p
Thamesdown Var. Rate Bds. Rds. (19-1-83) £5.575
Trafford Var. Rate Bds. Red. (19-1-83) £5.575
Treasury 12pc 1995 6pc
Uttlesford 9¼pc Bds. Red. (21-1-81) 4⅝pc

FRIDAY JANUARY 26

COMPANY MEETINGS—
Chemring, Alchem Works, Fratton Trading Est., Portsmouth, 12
Cooper (Frederick), Goldthorn Hotel, Penn Rd., Wolverhampton, 12
Vaux Breweries, Seaburn Hotel, Sunderland, 12
Williams (John) of Cardiff, Royal Hotel, St. Mary St., Cardiff, 12

BOARD MEETINGS—
Finals:
C.G.S.B.
Interims:
Brown (John)
Burt Boulton
Cook (William)

DIVIDEND & INTEREST PAYMENTS—
Allied Plant 0.4p
BPB Inds. 4.2p
Banff & Buchan 11⅞pc Bds. Red. (21-7-78) 5[15/16]pc
Borders 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
British Benzol Carbonising 0.5p
Bucks. 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Carlisle 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Chesterfield 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Churchbury Ests. 1.9715p (inc. supp. dist. of 0.0435 31-3-78)
Construction Hldgs. 7.035p
Dartford 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Dudley 9⅞pc Bds. Red. (1-8-79 4[15/16]pc
Dundee X London Invest. Trust 1.7p
Eastbourne 11⅞pc Bds. Red. (21-7-82) 5[15/16]pc
Essex Var. Rate Bds. Red. (20-7-83) £5.625
Gosport 10⅞pc Bds. Red. (23-7-80) 5[7/16]pc
Hargreaves 1.45p
Hart 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Havering 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Hay's Wharf 3.961p
Hopkinson 7pcPf. 2.45pc
Kingswood 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
N.C.R. Corp. 25cts
Ofland Assoc. Invst. 0.68625p
Ranks Hovis McDougall 1.968p
Rivington Reed 1.815p
Scapa Group 2.7p
Sefton 9⅞pc Bds. Red (1-8-79) 4[15/16]pc
Sekers Int. 0.75p
Sheffield 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
South Shropshire 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Standard Chartered Bank 8.6758p (inc. supp. dist. of 0.1758p (31-3-78)
Thurrock 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Torfaen Var. Rate Bds. Red. (20-7-83) £5.625
Toronto Dominion Bank 27cts
Treasury Ln. 7¾pc 1985-88 3⅞pc
Treasury Ln. 7¾pc 2012-2015 3⅞pc
Valor 0.7722p
"W" Ribbons 2.05p
W.G.I. 2.5p
W.G.I. 4.9pcPf. 2.45pc
Wakefield 9⅞pc Bds. Red. (1-8-79) 4[15/16]pc
Whessoe 3.171
Whitbread Invs. 1.6501p (inc. supp. dist. of 0.0394p 31-3-78)
Wolverhampton Var. Rate Bds. Red. (20-7-83) £5.625
Wolverhampton and Dudley Breweries 4.56469 (after articles re pension allowances or other similar payments)

SATURDAY JANUARY 27

DIVIDEND X INTEREST PAYMENTS—
Camden 12⅞pc Bds. Red. (23-7-80) 6[7/16]pc
Camden Var. Rate Red. 1983 £5.8129
Congleton 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Derby 12⅞pc Bds. Red. (23-7-80) 6[7/16]pc
Easington 13¼pc Bds. Red. (21-7-82) 6⅝pc
Gwent 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Hackney 11⅞pc Bde.s Red. (25-7-79) 5[15/16]pc
Halton 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Harrogate 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Medway 13¼pc Bds. Red. (21-7-82) 6⅝pc
Newcastle upon Tyne 12⅞pc Bds. Red. (23-7-80) 6[7/16]pc
Orkney Islands 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Rugby 12⅞pc Bds. Red. (23-7-80) 6[7/16]pc
Tameside 11⅞pc Bds. Red. (25-7-79) 5[15/16]pc
Triplex Foundries 1.8062p (inc. supp. dist. of 0.0462 31-78)

SUNDAY JANUARY 28

DIVIDEND X INTEREST PAYMENTS—
Canadian Pacific Red. Pf. (Series A) 3⅞pc

CONTRACTS

Pye TMC sells £4m X-Press callmakers

PYE TMC, the Philips subsidiary, has received orders worth £4m from the Post Office for 22,500 automatic dialling telephones and 70,000 press-button instruments.

The automatic dialling instrument called "X-Press callmaker" can store up to ten numbers each up to 18 digits long. Calls can be made to any of these numbers by pressing only two buttons.

The instrument can also be used to store numbers which are not in the permanent memory. The last number dialled is automatically stored so that if it is found to be engaged, it can be tried repeatedly by pressing only one key.

Pye TMC says that it is the first time that a post office has offered this type of instrument to subscribers as part of its standard range.

★

Barratt Developments, the house builder, has ordered 20 System Ten 220 computers from INTERNATIONAL COMPUTERS. They will enable Barratt to continue development of a standardised accounting and management reporting system previously based on a variety of manual, mechanical and bureaux facilities. The order is valued at over £350,000.

Public Works Loan Board rates

Effective from January 20

Years	Quota loans repaid by EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13⅛	13¼	13¼	13⅝	13¾	13¾
Over 5, up to 10	13¼	13⅜	13⅜	13⅞	14	14⅛
Over 10, up to 15	13⅜	13⅝	13½	14⅛	14¼	14¼
Over 15, up to 25	13⅝	13½	13½	14⅛	14¼	14¼
Over 25	13½	13½	13½	14¼	14¼	14¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

Financial

[illegible]

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	22	871	—	—
1J	1J	Do. 5pc Pref.	40	13.11	—	—
1J	1J	Chilean Mixed	98	2.10	—	£3.10
	—	Chinese 4½pc 1898	19	—	—	—
	—	Do. 5pc 1912	35	—	—	—
	—	Do. 5pc 1925 Boxer	18	—	—	—
1J	1D	German Yng. 4½pc.	415	4.12	4½	—

BONDS & RAILS—Cont.

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 46% (based on US$2.0064 per £)
Conversion factor 0.6865 (0.6883)

CANADIANS

[illegible]

S.E. List Premium 46% (based on $2.3843 per £)

BANKS AND HIRE PURCHASE

[illegible]

Div.		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
June	Dec.	Gerrard Natnl.	187	30.10	g9.12	—	7.3	—
May	Nov.	Gibbs (A.)	47	2.10	2.23	—	7.1	—
Mar.	Aug.	Gillett Bros. £1.	220	7.8	15.41	—	10.5	—
	June	Goode D't Mry.5p	19½	17.4	0.13	—	1.0	—
Nov.	April	Grindlays	131	21.8	2.79	7.1	3.2	4.7
April	Oct.	Guinness Peat	120	18.9	h5.15	—	6.4	—
Dec.	July	Hambros	180	27.11	†9.76	—	8.1	—
Dec.	July	Hill Samuel	83	13.11	†4.97	—	9.0	—
	—	Do. Warrants	80	—	—	—	—	—
Sept.	Mar.	Hong Shng.$2.50	287	4.9	h059c	—	2.4	—
June	Nov.	Jessel Toynbee	63	30.10	g3.65	—	8.6	—
Jan.	June	Joseph (Leo) £1	155	27.11	8.74	—	8.4	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

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[illegible]

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[illegible]

FOOD, GROCERIES—Cont.

[illegible]

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INDUSTRIALS (Miscel.)

[illegible]

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O.F.S.

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DIAMOND AND PLATINUM

CENTRAL AFRICAN

MINES—Continued

AUSTRALIAN

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex 25c	13	—	—	—	—
Nov.	Apr.	Bougainville 50 Toea	155	14.3	†08c	1.4	3.2
—		BH South 50c	131	974	—	—	—
—		Central Pacific	425	—	—	—	—
Oct.	May	Conzinc Riotinto 50c	310	14.3	‡Q10c	2.2	‡
—		Cultus Pacific N.L.	29	—	—	—	—
—		Endeavour 20c	19½	—	—	—	—
—		G.M. Kalgoorlie $1	71	667	—	—	—
—		Haoma Gold N.L.	37	—	—	—	—
September		Hamptn Areas 5p	150xd	15.1	✦3.55	2.0	3.5
—		Metals Ex. 50c	32	—	—	—	—
Dec.	Apr.	M.I.M. Hldgs. 50c	241	16.10	Q9c	1.7	2.3
—		Minefields Expl.	15	—	—	—	—
—		Mount Lyell 25c	57	—	—	—	—
—		Newmetal 20c	30	—	—	—	—
June	Nov	North B. Hill 50c	129	13.11	Q8c	1.3	3.8
—		Nth. Kalgurli	12	—	—	—	—
—		Nth. West Mining	30	—	—	—	—
June	Nov.	Oakbridge $A1	154	7.4	Q12c	1.9	9.7
—		Oilmin N. L.	28	—	—	—	—
—		Pacific Copper	76	—	—	—	—
—		Pancont'l 25c	875	—	—	—	—
—		Paringa M&Ex 5p	19½	—	—	—	—
Apr.	Oct.	Peko-Wallsend 50c	506	19.9	Q15c	✦	1.8
—		Southern Pacific	175	—	—	—	—
Oct.	May	Westn. Mining 50c	163	4.9	Q3c	0.7	1.1
—		Whim Creek 20c	65	—	—	—	—

TINS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov.	Apr.	Amal. Nigeria	23	18.9	2.81	1.3	18.2
Apr.	Oct.	Ayer Hitam $M1	405	2.10	Q300c	0.5	15.9
Apr.	Oct.	Beralt Tin	52	11.12	4.0	✦	11.5
Jan.	July	Berjuntai $M1	240	24.7	†Q110c	1.0	10.8
Feb.	Oct.	Geevor	150	2.1	H5.57	5.8	5.5
—		Gold & Base 12½p	9½	1074	—	—	—
June	Dec.	Gopeng Cons.	310	30.10	18.0	✦	8.8
—		Hongkong	295	11.12	12.5	✦	6.3
May	Nov.	Idris 10p	65	24.7	‡12.0	1.6	‡
—		Jantar 12½p	9½	4'67	—	—	—
—		Kamunting $M0.50	74	11.12	†Q12.5c	2.1	3.6
Jan.	July	Killinghall $M1	240	2.1	—	—	—
April		Malay Dredging $M1	410	27.11	Q175c	0.7	9.2
—		ΔPahang	44	27.11	—	—	—
Mar.	Sept.	Pengkalen 10p	63	30.10	4.5	✦	11.0
June	Jan.	Petaling $M1	230	11.12	Q120c	✦	11.2
Mar.	Oct.	Saint Piran	73	2.1	†2.03	6.5	4.2
February		South Crofty 10p	53	2.1	†4.19	2.0	11.8
Jan.	July	South Kinta $M0.50	195	2.1	†sQ145c	0.6	16.0
June	Jan.	Sthn Malayan $M1	325	27.11	Q190c	1.8	12.6
—		Sungei Besi $M1	225	11.12	mQ65c	5.3	6.2
—		Supreme Corp. $M1	70	974	ZQ10c	—	3.1
May	Nov.	Tanjong 15p	100	24.7	6.60	0.8	9.8
Sept.	Mar.	Tongkah Hrbr. $M1	100	2.1	Q85.82%	0.7	7.7
Apr.	Oct.	Tronoh $M1	240	2.10	†Q88c	1.6	‡

COPPER

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
June	Dec.	Messina R0.50	86	12.12	—	—	—

MISCELLANEOUS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Barymin	67	—	—	—	—
—		Burma Mines 17½p	11½	575	—	—	—
Aug.	Feb.	Cons. Murch. 10c	240	3.1	—	—	—
November		Northgate C$1	390	30.9	—	—	—
Jan.	July	R.T.Z.	264	30.10	9.5	2.8	5.4
—		Sabina Inds. C$1	42	—	—	—	—
—		Tara Exptn. $1	825	—	—	—	—
October		Yukon Cons. C$1	203	15.9	Q7c	2.9	1.6

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Aug.	Buffels R1	$11⅞	2.1	Q170c	1.8	17.2
Aug.	Feb.	East Drie R1	950c	2.1	†Q78c	1.7	9.5
Aug.	Feb.	East Rand Prp. R1	360c	2.1	—	—	—
June	Dec.	F.S. Geduld 50c	$20⅜	30.10	Q315c	✦	17.9
June	Dec.	Pres. Brand 50c	$12½	30.10	Q150c	✦	13.8
May	Nov.	St. Helena R1	$11⅝	2.10	Q190c	✦	18.9
Aug.	Feb.	Stilfontein 50c	450c	2.1	†Q22c	2.3	5.6
Aug.	Feb.	Vaal Reefs 50c	$20½	7.8	Q115c	3.3	6.5
Feb.	Aug.	West Drie R1	$30¼	2.1	Q385c	1.7	14.7
June	Dec.	West Hldgs. 50c	$24½	2.5	Q415c	✦	19.5
Feb.	Aug.	Western Deep R2	$11⅞	7.8	Q82.5c	2.4	8.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ✦ Figures or report awaited.
- †† Unlisted security.
- ≠ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ≑ Not comparable.
- ♣ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ▼ Excluding a final dividend declaration.
- ♠ Regional price.
- II No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 25

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sheffield Brick	52	-1
Ash Spinning	109	+28	Sheff. Refrshmt	70	......
Bertam	14	......	Sindall (Wm.)	120	......
Bdg'wtr. Est. 50p	330	......	**IRISH**		
Clover Croft	28	......			
Craig & Rose £1	615	......	Conv. 9% '80/82	£90⅛	......
Dyson (R. A.) A	35	......	Alliance Gas	105	......
Ellis & McHdy	69	......	Arnott	370	......
Evered	27	......	Carroll (P.J.)	99	......
Fife Forge	52	......	Clondalkin	96	......
Finlay Pkg. 5p	21	......	Concrete Prods.	145xd	+7
Graig Ship. £1	140	......	Helton (Hldgs.)	48	......
Higsons Brew	78	......	Ins. Corp.	165	......
Holt (Jos) 25p	252	......	Irish Ropes	102	......
I.O.M. Stm. £1	232	......	Jacob	50	......
Pearce (C. H.)	198	......	T.M.G.	185	+5
Peel Mills	22½	......	Unidare	85	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	20	Tube Invest.	30
A. Brew	6½	"Imps"	6	Unilever	35
A.P. Cement	16	I.C.L.	20	Utd. Drapery	7½
B.S.R.	9	Inveresk	8	Vickers	15
Babcock	11	KCA	3	Woolworths	5
Barclays Bank	25	Ladbroke	17	**Property**	
Beecham	35	Legal & Gen.	14		
Boots	15	Lex Service	7	Brit. Land	3¼
Bowaters	16	Lloyds Bank	22	Cap. Counties	4½
B.A.T.	24	"Lofs"	4	E.P.	5
British Oxygen	6	London Brick	5	Intereuropean	4
Brown (J.)	28	Lonrho	5	Land Secs.	16
Burton 'A'	12	Lucas Inds.	25	MEPC	12
Cadburys	5	Lyons (J.)	10	Peachey	8
Courtaulds	10	"Mams"	7	Samuel Props.	9
Debenhams	8	Mrks. & Spncr	10	Town & City	1¼
Distillers	15	Midland Bank	25	**Oils**	
Dunlop	7	N.E.I.	12		
Eagle Star	11	Nat. West. Bank	22	Brit. Petroleum	45
E.M.I.	14	Do. Warrants	10	Burmah Oil	5
Gen. Accident	17	P & O Dfd.	8	Charterhall	3
Gen. Electric	18	Plessey	8	Shell	28
Glaxo	40	R.H.M.	5	Ultramar	20
Grand Met.	9	Rank Org. 'A'	18	**Mines**	
G.U.S. 'A'	20	Reed Intnl.	12		
Guardian	18	Spillers	3	Charter Cons.	12
G.K.N.	22	Tesco	4	Cons. Gold	14
Hawker Sidd	20	Thorn	22	Rio T. Zinc	16
House of Fraser	12	Trust Houses	15		

FINANCIAL TIMES
Monday January 22 1979

Cost of Sullom Voe 'could top £1bn'

BY KEVIN DONE, ENERGY CORRESPONDENT

THE COST of building the Sullom Voe oil terminal in the Shetland Islands will rise to more than £1bn if additions to the project planned by British Petroleum, the terminal manager, are approved.

The terminal, which is vital to the UK's hopes of reaching self-sufficiency in crude oil production by 1980, is already expected to cost at least £813m.

But this will rise to more than £1bn if plans for four more crude oil storage tanks, a fifth jetty and two more crude oil loading pumps are given the go-ahead.

Capacity

The terminal is presently designed to have a capacity for processing and loading 1.4m barrels of crude oil a day by end of 1981, equivalent to more than two-thirds of UK's total crude oil consumption.

It began limited operation in November, but construction work at the site is threatened by mass meetings today and tomorrow of mechanical workers, who are pressing for improved pay and conditions.

The 1,600 mechanical workers at Sullom Voe have been offered a 5 per cent rise pay increase along with a productivity offer of a further 6 per cent which would bring average wages at the site up to £240 for a 70-hour week.

The offer has already been accepted by the civil construction workers and the dock labour force, but mechanical workers at the isolated site are demanding a work cycle of three weeks on and one week off instead of the present four weeks on and one week off.

Mr. Ted Ferguson, the construction manager, said at the weekend that the economics of building the terminal "would go out of the window" if the demand was met.

An extra 400-500 men would have to be employed, but they would be constantly on leave. Civil construction work at the site is also threatened by the road haulage strike. Supplies of sand and cement could be exhausted in about two weeks.

The 31 oil companies involved in the project will hold their annual meeting in May to decide how much capacity will be needed at Sullom Voe in four years to meet the rising crude production from the oil fields east of the Shetland Islands.

With more fields to be developed, such as Magnus, North West Hutton and Hutton the companies could decide to upgrade the facilities to handle as much as 2m barrels a day in the early 1980s. This could push up the cost of the project by another £200m to more than £1.2bn, said Mr. Ferguson.

On the present schedule, the terminal should be ready to begin stabilising crude from the Ninian pipeline in September, and the liquid petroleum gas separation facilities are likely to start coming on stream in the second half of 1980. At present gas worth millions of pounds is having to be flared offshore.

The construction work already agreed, estimated to cost £813m, should be completed before the end of 1981, Mr. Mike Pattinson, manager of the project said at the weekend. The terminal is now 58 per cent complete.

The workforce at the terminal is more than 5,000 and this is likely to peak at 6,000 in spring or early summer. There is a severe shortage of accommodation, which will limit further growth, but a second accommodation vessel is due to be moored at the Sullom Voe port in the next few weeks.

Pollution

The Shetland Islands Council has agreed to the use of a Swedish vessel, the Stena Baltica, which will have beds for about 350 men. But, in return, it has secured a payment of £150,000 a year from the oil companies to allow use of the ship.

The terminal was officially inaugurated at the weekend by Mr. Robert Bruce, the Lord Lieutenant of Shetland.

Referring to the oil pollution accident there three weeks ago, he said the Shetlanders' confidence that the oil industry could operate without causing a mess had been severely damaged. About 1,150 tonnes of heavy bunker fuel oil was spilled into the harbour of which 700-800 tonnes has been recovered from beaches and rocks.

News analysis, Page 4

Most pay deals now over 5% says CBI study

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MOST EMPLOYEES who are now signing pay deals are getting more than the Government's basic 5 per cent pay limit according to figures released this morning by the Confederation of British Industry.

Statistics collected by the CBI's pay data bank, show that most of the 1.6m people now covered by 537 pay deas have exceeded the basic limit either by using pay White Paper's exceptions for low-paid workers and productivity deals or by ignoring the White Paper's rules.

This means that a large number of deals are being struck between 5 and 10 per cent and the figures provide detailed evidence of the problems the Government is facing.

The largest batch of people exceeding the 5 per cent limit are in a group of 1.3m covered by private sector national agreements, including five wages council deals, the majority of which have used the White Paper's exceptions for the low paid.

The general trend above 5 per cent is then supported by detailed information of 512 deals for 320,000 workers in company level and public sector negotiations which the CBI explains in more detail for the first time.

About 55 per cent of these workers have accepted 5 per cent or less as a basic settlement, but nearly half of them have also negotiated productivity deals which the CBI says add an average of 5 per cent extra.

A further 10 per cent of the workers have accepted 5 to 10 per cent basic deals, with a fifth of them taking productivity rises as well.

The remaining 35 per cent of the workers have accepted more than 10 per cent, so underlining the general level of settlements above the 5 per cent limit.

A third of this last group, about 30,000 workers, are public sector employees cashing in on special rises promised to them by the Government during the last phase of the pay policy.

The data bank also reports a continuing high level of pay claims. More than a third of 276 claims for 5.5m workers recorded would increase employment costs by 30 per cent or more, and a half of them want a shorter working week as well.

Lombard, Page 10

Big response likely to action day call

BY CHRISTIAN TYLER, LABOUR EDITOR

PUBLIC SERVICES will be disrupted, schools closed and some hospital and ambulance work stopped today in many parts of the country.

Unions representing nearly 1.5m low-paid manual workers expect a big response to their call for a day of action.

But a ban threatened by London ambulancemen on emergency work was lifted yesterday by shop stewards. They then met Mr. David Ennals, Social Services Secretary, who agreed to look again at their case for more pay later this week.

Mr. Ennals thanked the men for their decision, but said he was still gravely concerned about future disruption.

Tens of thousands of demonstrators are expected in London for a march and rally at Central Hall, Westminster. Similar rallies will be held in other towns.

But even as preparations for the long-planned protest began there were some hopes that the ensuing campaign of selective industrial action would be short-lived.

Though the Government hoped to stick closely to its amended wage policy for the lower-paid, unions said that some employers had admitted that they had to put more cash on the table before the promised public-service pay inquiry could start.

The extent of the militancy will become clear this week, and may determine how far the Government yields to the private approaches to be made in the next few days.

Last night Mrs. Shirley Williams, Education Secretary, appealed to unions not to disrupt schools, already hit by the tanker-drivers' and lorry-drivers' strikes.

She said there had been an "appalling threat" from some officials of the National Union of Public Employees that children would be physically stopped from crossing picket lines.

The possibility of some industrial action by water and sewage workers cannot be ruled out, despite the 14 per cent pay and productivity offer from the Water Council on Friday.

The Army and St. John Ambulance Brigade have been asked to stand by in Cardiff, where the ambulancemen said they would not answer emergency calls.

Comecon barter deals 'could threaten jobs in the West'

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BARTER DEALS with Eastern Europe by multinational companies might put at risk the jobs of thousands of workers in the West, including the UK, according to a study by the General and Municipal Workers' Union.

The study, in the form of a booklet written by Mr. David Warburton, the union's national chemicals officer, gives details of 160 contracts and transactions involving Western multinational chemical groups and process plant contractors in Eastern Europe.

It calls for all barter agreements, known as compensation deals and process plant contracts with Comecon members to be publicised so that their long-term effect on employment in Western Europe may be assessed.

The study says: "The crucial issue is not whether trade should take place but whether the type and size of arrangements entered into between multinational corporations and the individual member states of Comecon will not only saturate key sectors of industry in the West but put at risk the jobs of thousands of workers."

The Western European market was "coming under increased assault" by imports from Comecon countries and from Yugoslavia.

Eastern Europe provided three-tenths of the Netherlands' synthetic rubber and a fifth of France's. Plastic, glass and other products were also "finding their foothold in West Europe's markets."

Obstacles

Eastern Europe was expected to become a net exporter of polyvinyl chloride, low-density polyethylene and polypropylene by 1982.

Certain Comecon states planned chemical production capacities that would "saturate" their domestic markets. They were not making those plans "to drown their own populations in a sea of plastic."

The possible threat to jobs in Western Europe was not immediately evident because the East still needed much of its new production capacity to satisfy internal demand. Among *main obstacles to pursuing* anti-dumping complaints against Eastern Europe was "lack of information from State-run Comecon utilities on their costs."

The study ends with a call for action at national, European and international levels.

At national level, banks and other financial institutions should be made to detail their involvement in compensation deals. National Governments should then consult trade unions and companies as to whether these deals were prejudicial to their economies and their workers. In the UK that should be related to the Government's industrial strategy.

The European Commission should establish an effective monitor on all compensation deals and plant contracts. Trade unions, through their international secretaries, should detail plans proposed by individual companies.

Meeting resumes today on lorry drivers' strike

BY NICK GARNETT, LABOUR STAFF

TALKS BETWEEN employers and unions in the road haulage dispute will continue this afternoon after more than seven hours of discussions yesterday.

Neither the Road Haulage Association nor the two unions whose drivers are on official strike were prepared to divulge details of yesterday's talks, held under the auspices of the Advisory Conciliation and Arbitration Service.

Mr. Jim Mortimer, chairman of the service, said the association, the Transport and General Workers' Union and the United Road Transport Union had had a detailed exchange of views.

Mr. George Newman, director general of the association, said that the discussions, which involved Mr. Moss Evans, general secretary of the transport workers, and Mr. Jack Aswell, the union's transport secretary, had been exploratory.

The Government's decision on Friday not to use its powers under the Prices Act to limit higher charges in the road haulage industry has removed a constraint that the employers said prevented them from improving their 15 per cent offer.

Some regional negotiating chairmen within the association would almost certainly be ready now to suggest tabling higher pay offers, possibly up to the union's full demand of 23 per cent.

Third bid for wheat agreement

BY JOHN EDWARDS, COMMODITIES EDITOR

A THIRD ATTEMPT to negotiate a new international wheat agreement aimed at controlling world prices begins in Geneva today.

The aim of the three-week talks is for countries exporting and importing wheat to agree on stabilising prices by regulating supplies coming on to the market.

This would be done by building nationally-held reserve stocks in times of surplus supplies, such as now, to be released in time of shortage.

Two full-scale negotiating conferences and many other meetings last year failed to resolve differences between exporting and importing countries on price ranges, size of reserve stocks and who would foot the bill for carrying surpluses.

But a compromise deal worked out between two key protagonists, the U.S. and the EEC, has raised hopes for a successful outcome of the present conference, though it is by no means a foregone conclusion.

Adding pressure for an agreement is that the negotiation of a wheat pact is closely linked with the wider multilateral trade negotiations.

It is claimed that a deal on agricultural issues, including wheat, is required before agreement can be reached on industrial goods.

Weather

UK TODAY

CLOUDY, some sleet and snow.

London, S.E., Cent. S., Channel Is., S.W.
Cloudy, sleet and snow. Max. 3C (37F).

E. Anglia, E. Midlands
Dry, dull and misty. Max. 3C (37F).

W., N.E. England, Borders, Edinburgh, Dundee
Freezing fog. Mainly dry. Max. 3C (37F).

W. Midlands, Wales, N.W. and Cent. N. England, Is. of Man, S.W. Scotland, Glasgow
Freezing fog. Cloudy. Max. 3C (37F).

Aberdeen, Moray Firth, N.E. Scotland, Orkney, Shetland
Cloudy. Some rain. Max. 3C (37F).

Rest of Scotland N. Ireland
Dry and sunny. Max. 5C (40F).

● **Outlook:** Sleet or snow in South. Dry elsewhere.

BUSINESS CENTRES

	Y'day midday	°C	°F		Y'day midday	°C	°F
Amsdm.	C	3	27	Luxmbg.	Fg	−1	30
Athens	C	11	52	Madrid	R	8	46
Bahrain	S	24	75	M'chstr	Fg	−1	30
Barclna.	F	12	54	Melbne.	C	20	68
Belfast	S	6	43	Milan	C	1	34
Belgrd.	C	1	34	Mntreal.	Sn	−6	21
Berlin	Sn	8	18	Moscow	C	−8	18
Bmghm.	Fg	−1	30	Munich	C	−4	25
Bristol	S	3	37	Nwctl.	Fg	0	32
Brussels	Fg	1	34	N. York	R	9	48
Budpst.	Sn	−4	25	Oslo	C	−4	25
B. Aires	S	27	81	Paris	Fg	3	37
Cairo	S	18	64	Perth	S	33	91
Cardiff	S	4	39	Prague	C	−5	23
Chicago	C	−3	27	Reykjvk.	S	−4	23
Cologne	C	−2	28	Rio J'o	R	24	75
Cpnhgn.	Sn	−2	28	Rome	R	10	50
Dublin	S	7	45	Singapr.	S	31	88
Ednbgh.	S	4	39	Stckhm.	C	−3	27
Frankft.	C	−3	27	Strsbg.	Fg	−1	30
Geneva	C	3	37	Sydney	S	28	82
Glasgow	S	5	41	Tehran	S	6	42
Helsinki	C	−11	12	Tokyo	C	12	54
H. Kong	S	18	64	Toronto	Sn	−7	19
Jo'burg	S	26	78	Vienna	C	−3	27
Lisbon	C	10	50	Warsw	Sn	−12	10
London	Fg	1	34	Zurich	C	0	32

HOLIDAY RESORTS

Ajaccio	C	17	63	I.o.Man	C	4	39
Algiers	C	19	66	Jersey	S	7	45
Biarritz	F	10	50	L. Pims.	S	19	66
Blackpl.	S	3	37	Locarno	C	2	36
Bordx.	C	7	45	Majorca	C	15	59
Boulgn	Fg	3	37	Malaga	C	16	61
Cas'b'ca	R	15	59	Malta	C	14	57
Cape T.	S	21	70	Nairobi	R	17	62
Corfu	S	12	54	Naples	R	7	45
Dbrvnk.	C	10	50	Nice	C	10	50
Faro	C	17	63	Oporto	R	8	46
Florence	C	6	43	Rhodes	S	12	54
Funchal	R	15	59	Salzbrg.	Sn	−2	28
Gibrltr.	R	15	59	Tangier	C	18	64
G'rnsy	S	7	45	Tenerife	F	11	52
Innsbrk.	C	4	39	Tunis	F	18	64
Invrnss.	C	4	39	Valencia	R	12	54
Istanbul	R	2	36	Venice	Sn	0	32

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sn—Snow.

Kuwait moves to free extra oil

BY LESLIE MITCHELL IN KUWAIT

KUWAIT, which for months has refused to sell any extra crude oil to compensate for the shortages caused by the crisis in Iran, is considering signing special, short-term contracts with three of the Iran Consortium memebers for 40,000 barrels a day each of Kuwait 31 API crude oil.

Although the amount would not seriously dent the shortfall of about 5m b/d caused by the Iran crisis, it could encourage other OPEC countries to start supplying extra oil.

The consortium members, Shell, BP and Gulf, are also Kuwait's three biggest customers. BP has a 40 per cent share in the Consortium and also a contract to lift a maximum of 504,000 bd of Kuwait crude a quarter. Shell has a 14 per cent share in the Consortium and a contract to lift a maximum of 405,000 bd of Kuwait crude. Gulf has a 7 per cent share and a contract to lift a maximum of 575,000 bd.

All three companies have been lifting the maximum they are allowed under their contracts with Kuwait but desperately need more crude. They have already told their customers that the Iran disruption will cut back deliveries.

Since November representatives of the companies have lobbied the Kuwait Oil Ministry to no avail. The issue is sensitive in the Gulf, because the countries don't want to be seen to be taking advantage of Iran's troubles. One oil company official said he thought the issue so "politically hot" that Kuwait wouldn't sell more crude to make up for Iran.

But the arrival in Kuwait, this week of Sir David Steel, chairman of BP, and Mr. Paul Skinner, head of government acquisitions for Shell International Trading Company, fuelled speculation that a new deal might be raised in the Supreme Petroleum Council.

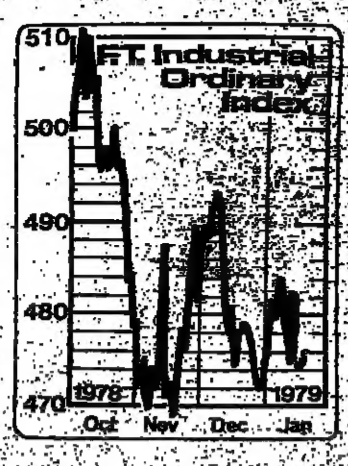
Under the deal Kuwait would sell the companies 40,000 bds of Kuwait 31 API crude under separate one-year contracts, with several conditions: the price would be the official OPEC price of $12.83 a barrel, credit would be on the official 60-day period, and the crude would have to be transported by Kuwaiti tankers.

BP and Gulf, as the former concessionaries in Kuwait, get a 15 cent a barrel discount under their regular contract with Kuwait. Shell, as a large lifter, gets 15 extra days of credit. The special contracts would not include these benefits.

THE LEX COLUMN

A fine balance in equities

Can nothing shake this equity market? For the past three months the FT 30-Share Index has not strayed by more than 3 per cent either side of 480; on Friday night it closed at 478.9. During the period expectations about inflation have significantly worsened, while industry is faced with physical disruption and now the Government is trying to attack company profits once again through the Price Commission—a nasty practice which it largely gave up several years ago. But through all this, share prices have remained resolutely steady.



It is never very hard to find arguments why the market should rise or why it should fall. The real puzzle at present is why such a delicate balance has been established. It is clear why many of the big institutional funds are interested in buying shares at current levels. Company profits and dividends have been growing quite strongly since 1975, at a rate exceeding that of inflation. The pension funds, in particular, *wish to maintain and possibly* increase the equity proportion of their portfolios, after a period in which this percentage has been reduced by purchases of gilt-edged. Above all, the fund managers are conscious of the continual inflow of new money—estimated in a new review by brokers Wood Mackenzie at £3.7bn each in 1979 for life assurance companies and pension funds. "Inflationary wage settlements will push our cash flow even higher," pointed out one nationalised industry pension fund manager on Friday.

Meanwhile the highly liquid state of the company sector has favoured the share market. New equity issues totalled only about £500m in 1979, compared with around £1.3bn in 1975. Takeover offers have also been feeding significant sums in cash back into the hands of shareholders; cash outlays on acquisitions in the UK probably reached around £700m last year (against £236m in 1975).

Against this bullish backcloth there has until recently been only one really major bear argument — the rise in interest rates. Government borrowing last year sharply forced up the level of money rates, and the widening of the yield gap in favour of gilt-edged drained away demand and put an effective ceiling on equity prices.

Now, further bearish possibilities loom. Company profits could be mangled between wage demands and a tight Government monetary policy. There is talk of another resort to a desperate wage and price freeze, which would no doubt involve new clamps on dividends. But the equity market is behaving as might be expected of a market increasingly dominated by long-term investors. Pension fund managers are clearly reluctant to change their buying *criteria because of temporary* changes in sentiment. They are certainly not becoming active sellers.

Even some of the funds with a shorter term perspective, like unit trusts, are comparatively inactive. Dealing expenses and gains tax together mean that a net fund has to envisage a fall of 10 per cent in the market before an out-and-in operation could break even. Many fund managers would have to foresee a 20 per cent fall before considering that the risks of such an exercise to be worthwhile. With a General Election and possible Conservative Government due any time between now and October, few are willing to take that kind of chance on a downward market break.

Moreover the investment institutions have gained in political consciousness. Under the scrutiny of the Wilson Committee, and in the case of pension funds answerable to trustees who are unlikely to be attracted to radical departures from normal investment behaviour, their influence has become stabilising rather than the reverse. As Wood Mackenzie points out, quarter-by-quarter variations in liquidity during the past two yeas have been small by comparison with changes in the 1974-75 period.

We have, then, a body of powerful fund managers whose concept of value in the equity market is remarkably well defined. What could change their minds? The key, once again, is probably the level of interest rates. Expected dividend growth has recently been straddling the gap between yields on equities and gilts. Already, however, gilt-edged yields have been tending to rise, and the appearance of any serious threat to dividend growth would leave share prices vulnerable.

The public spending White Paper and the wages crisis have served to clarify the threat—of a PSBR in 1979-80 climbing to, say, £10bn and a further sharp rise in long-term interest rates. Developments here will determine which way equities break out of the current trading range.

Banks in 1984

While the banks will be seen to have done well in 1978 when they unveil their results next month, the question investors should be asking themselves now is whether the clearers are going to perform any better over the next five years than over the last five.

The stockbroking fraternity is agreed that profits in 1979 could rise by between a fifth and a third, but there is no such consensus about the longer term —something which is underlined by two weighty tomes recently produced by Laing & Cruickshank and L. Messel. L & C believe that the banks have now entered a period of relative profits outperformance. Their confidence is based on assumptions that capital spending will level off, the rate of asset growth will be more pedestrian than of late, and that average base rates will be higher than the rate of inflation.

Messel are far less sanguine about the outlook and believe that over the medium-term the growth of bank profits will be lower than for the market as a whole. They reckon that overheads have risen to such an extent that domestic clearing bank profits virtually disappear when interest rates drop below 8 per cent. Elsewhere the growth in international banking has petered out, and the banks' bid to diversify into more profitable areas will lead to further rights issues.

any assessment of bank shares. Obviously the key factor in over the longer term is the future level of interest rates. Nevertheless the fact that the banks have not proved capable of financing themselves even during a period of historically high interest rates does not augur well. There is no sign that they have suddenly turned over a new leaf.

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